Austria	Sch22	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.650	Iran	Rls160	Portugal	Esc120
Belgium	BFr45	Israel	IS3.50	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	C£0.90	Japan	Y500	Spain	Pta145
Denmark	DKr10.00	Jordan	Fils500	Sri Lanka	Rup30
Egypt	E£2.25	Kuwait	Fils500	Sweden	SKr9.00
Finland	Fmk7.00	Lebanon	£L125.00	Switz	SFr2.30
France	FFr8.50	Lux	LFr45	Taiwan	NT$65
Germany	DM2.20	Malaysia	Rgt4.25	Thailand	Bht50
Greece	Dr130	Malta	[illegible]	Tunisia	Din0.800
Hong Kong	HK$12	Mexico	[illegible]	Turkey	L600
Iceland	Kr125	Neth	Fl3.25	UAE	Dh8.50
India	Rp15	Norway	NKr10.00	USA	$2.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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PHILIPPINES
What the Marcoses stand to lose

Page 26

World News

'Greenhouse effect' feared to be irreversible

The US Environmental Protection Agency painted an alarming picture of coming changes in the earth's climate, known as the "greenhouse effect," and concluded that the damage is likely to be irreversible. In its first major assessment of the global changes resulting from the buildup of carbon dioxide and other gases in the earth's atmosphere, the EPA said the cost of protecting major US cities could reach $111bn by the year 2100. Page 6

Boeing tests order

The US Federal Aviation Administration ordered immediate tests of takeoff alarm systems on nearly 2,000 Boeing 727 and Boeing 737 jetliners after finding "a significant number" of the alarms not working properly.

Hirohito weakening

Imperial palace officials in Tokyo said Emperor Hirohito appeared to be tiring in his month-long struggle for life. The 87-year-old monarch showed signs of kidney problems as well as internal bleeding.

Saudi olive branch

King Fahd of Saudi Arabia ordered his country's media to stop attacking Iran, underlining the reduction in tensions between Iran and other Gulf countries since the ceasefire with Iraq took hold in August. Page 4

PLO body to meet

The Palestine Liberation Organisation's highest policy-making body is to meet in Algiers on November 12 to launch a political initiative aimed at winning international support for the establishment of an independent Palestinian state. Page 4

No right to silence

The British Government tabled a draft order allowing Northern Ireland courts "to draw whatever inferences would be proper" from a defendant's refusal to speak, part of its latest drive against violence in the province. Similar legislation is promised soon for the rest of the UK. Page 8

Sri Lanka truce

The Sri Lankan Government called a one-week truce in its battle against Marxist rebels held responsible for more than 450 killings in the past 14 months.

Israeli emergency

The Israeli Cabinet met in emergency session to consider its response to Wednesday's suicide car bomb attack in southern Lebanon which left seven Israeli soldiers dead and eight wounded. Page 4

Chile Cabinet goes

Chilean President Augusto Pinochet's cabinet resigned to allow him to reorganise the Government following defeat in a presidential plebiscite on October 5. Page 6

Anti-Mafia law

The Italian cabinet approved a draft law giving sweeping powers to anti-Mafia investigators as well as those fighting other organised crime, drug trafficking and kidnappings.

Transatlantic locusts

The UN's Food and Agriculture Organisation reported an unprecedented migration of locusts from West Africa to the Caribbean, carried there by hurricane winds.

Business Summary

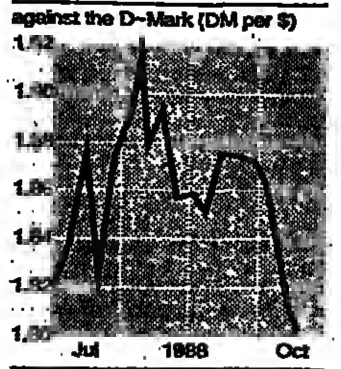
Lawson sees UK current account gap until 1990

BRITAIN'S Chancellor of the Exchequer Nigel Lawson said the UK would continue to run a "substantial" budget surplus in the next financial year but warned that it would probably take until 1990 before the large balance of payments current account deficit fell significantly. Page 26

DOLLAR weakened early on foreign exchanges, breaking through resistance at DM1.8000 but failing to attract selling. This added to uncertainty, as investors worried about the possibility of central bank intervention, and this served to drive the currency back up to DM1.8025 at the close, compared with DM1.8110 on Tuesday. Dollar was barely changed against the Japanese yen at Y127.20 from Y127.30. Page 42

Dollar

against the D-Mark (DM per $)



SAINT-Gobain is raising FFr3.5bn ($536m) to help finance ambitious investment and acquisition programme through first rights issue since leading French glass and packaging group was privatised two years ago. Page 27

BARLOW Clowes creditors' prospects of receiving British Government compensation after collapse of the now-insolvent investment funds were set back by publication of the official report into the affair by Department of Trade and Industry. Page 8

EC member states are to make collective saving of Ecu3.5bn ($4.4m) on EC budget contributions next year because of stronger economic growth, rising dollar and and EC farm spending reforms. Page 3

HAPAG-Lloyd, West German shipping and tourism group, announced plans to order five new container ships and a long-distance passenger aircraft at cost of up to DM750m ($413m). Page 27

MECCA Leisure, UK bingo, holiday camps and night clubs group, appeared to be on the point of victory in its bid for Pleasurama, leisure company – despite controversy over statements about its control of Pleasurama shares. Page 27

AMERICAN Express reported 13 per cent decline in third quarter net income to $282m or 66 cents a share. Page 29

NEWS Corporation, Rupert Murdoch's Australian-based media company, plans asset sales of US$1bn or more before next June to reduce debt after its $3bn purchase of Triangle Publications. Page 29

ITT, diversified US conglomerate, turned in another sharp increase in net third quarter profits to $236m, or $1.60 a share, with strong contributions from a number of its industrial and financial service segments. Page 29

EC-Seoul trade relations took another step downhill as European Commission called for imposition of heavy duties on container cargoes carried by leading South Korean shipping line. Page 7

$17bn Nabisco buy-out plan stuns Wall Street

By **Roderick Oram** in New York

MANAGEMENT of RJR Nabisco stunned Wall Street yesterday by saying they were working on an offer to take the US tobacco and food group private in a deal worth at least $17bn.

If successful, the leveraged buyout would be the largest takeover ever. It would be three times the size of the previous largest buy-out – the $6.2bn purchase of the Beatrice foods group in 1985 – and would equal roughly half the value of all US buy-outs last year.

The news caps a frantic period of takeover activity so far this year which has increasingly focused in recent weeks on the tobacco and food industries. Big offers include Philip Morris's $11bn bid for Kraft earlier this week and Grand Metropolitan's $5.2bn for Pillsbury.

Managements of both target companies may try buyouts to avoid hostile takeovers, adding further pressure on the debt markets financing the unprecedented volume of deals.

RJR Nabisco's shares soared $20% to $76¾ after the news broke, compared with the tentative buyout price of $75 for a total of $17bn mentioned by management. Analysts were united in estimating the company was worth far more, perhaps as high as $100 a share or $22.5bn.

TOP 10 BUY-OUTS	
Company acquired	Value of deal ($bn)
RJR Nabisco	17bn*
Beatrice Companies	6.2
Safeway	5.7
Borg-Warner	4.2
Southland	4.0
Viacom Intl	3.8
Montgomery Ward	3.8
R.H. Macy	3.7
Owens-Illinois	3.6
Esmark	2.7

*Prospective purchase

Despite the sheer size of the buyout, Wall Street thought RJR Nabisco's management, led by Mr Ross Johnson, a Canadian feared and admired for his aggressive style, stood a fair chance of making the deal work financially. But it is likely they would have to sell some parts, probably in the food sector, to reduce debt.

One analyst suggested the motivation for the management was "pure greed." They stand to reap huge personal profits from realising through direct ownership the true value of the group which, like other tobacco stocks such as Philip Morris, has significantly underperformed the market for several years. Investors have ignored them because fewer Americans are smoking and more are seeking damages for smoking-related health problems.

Nonetheless, the tobacco business is still a tremendous generator of cash which companies have used to diversify their activities. Food has been a particular target because of similar dependence on brand promotion, marketing and advertising skills.

A buyout of RJR Nabisco, the second largest US tobacco group after Philip Morris, would be financed, like all such deals, almost entirely by borrowings. Its long-term debt would balloon from $5.5bn currently to perhaps as high as $25bn. Debt service would be tight initially even with its strong cash flow which totalled $7.30 a share last year. Net profits in 1987 were $1.2bn, or $4.70 a share, on sales of $15.8bn.

Nonetheless, the company should soon enjoy a substantial increase in earnings thanks to recent heavy investment in, for example, new biscuit plants and a $1bn cigarette factory in North Carolina.

Shearson Lehman Hutton, RJR Nabisco's investment banker of long standing, said it was working with Mr Johnson's management group on a financial package for the buy-out. It would provide the equity and some of the debt financing while arranging senior bank debt.

While Shearson is the largest Wall Street investment firm in terms of capital, it is relatively inexperienced in buyouts. The largest deal to date in which it was the principle equity investor was its $550m buyout of Sheller-Globe, an auto parts and office products group.

Shearson has advised corporate boards on several multi-billion buyout offers from managements but has led none of the top 20 US buyouts.

Earlier this year Shearson set up a $1.5bn merchant banking fund to further its ambitions in the field of buyouts. RJR Nabisco was created in 1985 by the $4.9bn takeover of the Nabisco foods group by RJ Reynolds, the North Carolina tobacco company. In less than a year, Mr Johnson, originally Nabisco's chief executive, had ousted Mr Tylee Wilson, Reynold's chairman, to assume control of the whole group.

It was Mr Johnson's second coup. He had earlier managed the same boardroom feat when Nabisco took over Standard Brands, his earlier corporate vehicle, in 1981.

Lex, Page 26; Background, Page 27

Major UK banking group to merge with life insurer

By **Nick Bunker** and **David Barchard** in London

LLOYDS BANK, one of Britain's big four banking groups and Abbey Life, a leading life insurer, yesterday unveiled the most ambitious marriage between two such concerns yet seen in the UK.

The bank will merge five of its insurance and retail financial services businesses into Abbey in return for 380m new Abbey shares, giving it 57.6 per cent control of the company, to be renamed Lloyds Abbey Life.

Abbey, with 1987 premiums of £460m ($800m), is the UK's second largest unit-linked life company.

Rumours of a merger had been circulating for months, but most observers were still taken aback by the scale of the deal, which values the five Lloyds Bank businesses involved at £1.15bn.

It requires approval by both companies' shareholders at meetings on November 14.

The five Lloyds businesses to be merged into Abbey are Black Horse Life, which sells to its banking client base; Lloyds Bowmaker, its finance house, with 750,000 customers; Black Horse Agencies, a 536-branch estate agency chain; Lloyd's Bank Insurance Services, its insurance broker; and Lloyds Bank Unit Trust Managers.

Sir Jeremy Morse, Lloyds chairman, said the merger would produce "a quiverful of synergies". Mr Michael Hepher, the 44-year-old actuary who chairs Abbey and will head the enlarged group, said talks started several months ago.

A further target for criticism was the inclusion of Lloyds Bowmaker, which as an instalment credit, hire purchase and leasing business commands a much lower stock market rating than a life company. "Shareholders in Abbey Life used to own a pure, high-quality life company," said Mr Chris Fountain, of County NatWest WoodMac. "Now they'll own a bid-proof amalgam of companies."

Another question mark hangs over resumption of trading in Abbey shares, suspended on Wednesday at 294p. S.G. Warburg, Abbey's merchant bank, said a statement would be made today, but the Stock Exchange said they might have to stay suspended until after the shareholders' meeting.

Analysis, Page 24; Lex, Page 26

Iran under pressure to agree Iraqi oil quota

By **Steven Butler** in Madrid

IRAN came under intense pressure last night to agree that its rival, Iraq, be permitted to raise oil output to the quota level fixed for Iran by the Organisation of Petroleum Exporting Countries.

Iranian acquiescence, sought by Opec members at their meeting in Madrid, is seen as a key first step in drafting a new Opec production agreement that would check the surge in output by the Gulf Arab countries and lift oil prices.

Iran and Iraq faced a solid front of six Opec oil ministers who said that a production accord would be impossible unless the two countries patched up their differences and agreed a formula for production parity.

The alternative would be continued over-production that could easily drive prices below $10 a barrel.

The ministers, from Saudi Arabia, Kuwait, Iran, Iraq, Venezuela, Nigeria, Algeria and Indonesia, are members of Opec's price monitoring and long-term strategy committees.

Their meeting is expected to continue over the weekend.

Oil ministers who met the Iranian delegation said Iran appeared ready to adopt a pragmatic approach. This was seen as implying that they would yield on the quota issue.

There appeared to be scant hope, however, that Opec production could be quickly cut, even if an agreement was reached.

Mr Rilwanu Lukman, Opec's president, said that member countries' prodnction had exceeded 21m barrels a day, or nearly 4m b/d above the organisation's production ceiling.

Contracts now known to have been signed by Saudi Arabia and Knwait and in force until the end of the year imply that the two countries will have to produce at a rate of more than 5m b/d and 1.5m b/d respectively – well above the qnotas set for them by Opec.

This oil will continue to flood European markets until the middle of February, making any substantial recovery in spot prices highly problematical.

Some of the major oil companies have stopped buying crude in the expectation that prices will fall.

Mr Cesar Julio Gil, the Venezuelan Oil Minister, said any agreement would have to involve an immediate cut in over-production by the Gulf states.

Rocard urged to ease pay policies

By **Paul Betts** in Paris

MR MICHEL ROCARD, the French Prime Minister, is coming under increasing pressure from his own Socialist Party to relax his tight public-sector wage policies to defuse the growing wave of labour unrest in the country's public services.

The unrest reached a climax yesterday with a series of concerted strikes and demonstrations organised by the country's main unions, causing severe disruption in city transport, railways and airlines and in schools, postal deliveries and most of the other public services.

The unions threatened yesterday to pursue their action indefinitely to force the Government to back down from its tongh stance on wage increases for the country's 5m public-sector workers.

The strikes yesterday further weakened the French franc, which reached a new low against the D-Mark of FFr3.4164 at the Paris fixing.

The French monetary authorities have already had to defend the franc and the Banque de France was forced to raise its intervention rate by a quarter point this week to bolster the French currency.

The franc has come under pressure from the combination of the falling dollar, the rising D-Mark and the unsettled French labour climate.

However, the Socialist Government has so far refused to yield to the demands of public-sector workers for wage rises this year on top of the 2 per cent they have already been granted to bring them into line with the underlying rate of consumer price inflation this year of about 3 per cent.

Mr Rocard and Mr Pierre Bérégovoy, the Finance Minister, have both argued forcefully in the past few days that the Government could not afford to ease economic policies because the recovery of the economy was still regarded as fragile.

At the same time, Mr Bérégovoy has also made it clear that a devaluation of the franc was out of the question.

However, the strikes are now causing increasing tensions between the Government and the Socialist Party, whose secretary-general, Mr Pierre Mauroy, a former Socialist Prime Minister, has openly sided with the striking workers.

Although Mr Mauroy acknowledged that the Government had little room to manoeuvre, he said in the National Assembly that the Socialist Party supported the claims of the public sector workers.

The rift between the Government and the Socialist Party over the handling of the public sector wage dispute also risks bringing to the surface again the underlying friction between the traditionalists on the party's left wing, led by Mr Mauroy, and the more liberal wing led by Mr Rocard.

These internal rifts are now likely to complicate even further Mr Rocard's efforts to try to modernise the French public sector whereas the old style party leaders merely want the Government to reward the traditional Socialist voting strongholds in the public sector by relaxing wage restraint.

● The strike, while annoying, did not paralyze the country, AP reports from Paris.

Transport felt the most disruption. In Paris, subway and bus services were cut by as much as a half. But commuters who feared the worst and drove into the city found huge traffic jams.

Main roads leading into the capital had jams as long as 17 miles in some areas.

Air France cancelled 31 of its 118 medium-range flights and some of the major railway services were running at half to two-thirds their usual number.

Production of electricity was cut by about 15 per cent; little mail was delivered; customs were on strike and many welfare and social security offices were closed.

Brussels calls for levies to be imposed on Hyundai cargoes

By **William Dawkins** in Brussels and **Kevin Brown** in London

A NEW irritant entered strained EC-South Korean trade relations yesterday when the European Commission called for the imposition of heavy duties on container cargoes carried by a leading shipping line from the South East Asian country.

If the duties are sanctioned by the 12 EC governments, it will be the first time the Community has taken such action against allegedly unfair pricing in a service industry, as well as the first application of a two-year-old EC rule against foreign underpricing in the shipping industry.

The duties would apply to cargoes shipped by Hyundai Merchant Marine between Europe and Australia and are being proposed in response to a complaint of artificial underpricing lodged just over a year ago by the Europe-to-Australia shipping conference, representing eight of the EC's largest shipping lines.

The Commission's decision was received with gloom by shippers' organisations, which had told the Commission that Hyundai's cheap rates were of great benefit to European exports.

The British Shippers Council, which led shippers' support for Hyundai, said the decision had been taken on political grounds, and set a dangerous precedent. It feared similar action would be taken against non-conference operators on other routes.

The Commission's announcement comes only a day after the Brussels authorities issued a paper to try to calm the fears of the EC's trading partners that the Community might become more protectionist as it works towards the 1992 single market.

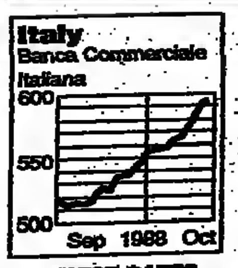
Brussels is calling for levies of Ecu450 ($510) per 20ft container carried on the EC-Australia route, rising to Ecu900 per 40ft container. This is roughly equivalent to 26 per cent of average Hyundai freight charges. The levies are supposed to bridge the margin by which the South Korean line was found to be undercutting normal freight rates, said Commission officials.

The Brussels authorities estimated that Hyundai's rates would have to be increased by a range of 17 to 43 per cent on different cargoes to fall in line with EC competitors. The South Korean line was able to undercharge so heavily only because it got unfair advantages in the shape of government tax breaks and loan repayment holidays, "most of which are unusual commercial practice", said the Commission.

South Korean undercharging had created serious injury, forcing EC lines' rates to fall by 2.5 per cent when Hyundai started services on that route in 1986, with a 14.5 per cent drop the following year.

MARKETS

Italy
Banca Commerciale Italiana



INTEREST RATES
US
Federal Funds $8\frac{3}{8}$% ($8\frac{3}{4}$)
3-mth Treasury Bills: yield: 7.656% (7.66)
Long Bond: $102\frac{12}{32}$ ($102\frac{11}{32}$)
yield: 8.869% (8.89)
London
3-month interbank: close $11\frac{15}{16}$% ($11\frac{31}{32}$)

STERLING
New York close
$1.7635 (1.75325)
London:
$1.763 (1.751)
DM3.1775 (3.17)
FFr10.8525 (10.825)
SFr2.685 (2.68)
Y224.25 (223)

DOLLAR
New York close
DM1.7995 (1.81325)
FFr6.1475 (6.192)
SFr1.522 (1.5325)
Y126 (127.425)
London:
DM1.8025 (1.811)
FFr6.155 (6.1825)
SFr1.5225 (1.53)
Y127.2 (127.3)

GOLD
New York latest
Comex Dec
$415.4 (414.7)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,181.19 (+43.92)
S&P Comp
281.58 (+4.61)
London:
FT-SE 100
1,864.3 (+1.8)
World:
131.13 (Wed)
Tokyo
Nikkei Ave
27,390.55 (+96.88)
Frankfurt
Commerzbank
1,606.5 (-24.5)

OIL
Brent 15-day (Argus)
$13.55 (+22.5cts) (Nov)
West Tex Crude
$14.785 (+12cts) (Dec)

CONTENTS

Kohl's Moscow visit promises major rewards in trade

A West German delegation due in Moscow next week is being billed in Bonn as the highest-powered the country has ever sent abroad. Led by Chancellor Helmut Kohl (left), it is expected to widen trade and technology links.

Page 2

Gorbachev treats Europe's leaders to a few home thoughts

Quentin Peel reports on the Soviet leader's new pre-occupation — the Common European Home

MOSCOW is ringing to the sound of a new slogan: something called the Common European Home. The trouble is, nobody seems to be quite sure who, or what, it contains.

Perhaps it is no coincidence that while the US is totally bound up with the domestic entertainment of a presidential election, Mr Mikhail Gorbachev has put on his European hat to entertain a new stream of visitors. All but a couple have come from Europe, both East and West.

Each one is treated to a homily on the Soviet leader's hopes to build such a common home. First he lectured two of his least enthusiastic allies: Mr Erich Honecker from East Germany and Mr Nicolae Ceausescu of Romania. Then he turned his charm on a potential intermediary, Chancellor Franz Vranitzky of Austria.

Now he has plunged into a full-scale diplomatic offensive towards the major powers of Western Europe. Mr Ciriaco de Mita of Italy received the first dose last week, Chancellor Helmut Kohl of West Germany arrives for his pep talk on Monday, and President François Mitterrand will come to be wooed in November.

So far, however, Mr Gorbachev's vision of a Common European Home is far more vague generality than substance. It is well decorated with common cultural heritage, and it is aired with concern for common environmental pollution. As for the actual furniture, it seems to contain rather more from the factory of disarmament ideas than it does solid plans from the fields of economic co-operation.

Obviously the European debate is very much a two-way process: Mr Kohl and Mr Mitterrand, not to mention Mr De Mita, want to put their own ideas about how to benefit from the new mood in Moscow. But they are coming to the Kremlin because they want to find out from the man himself just how he sees the process, how his external relations will be affected by the upheaval he has begun in the Soviet economy and body politic, and where they fit in.

As far as relations with Western Europe are concerned, two concerns are paramount in Moscow. The first is the urgent desire to get on with conventional disarmament, without waiting for the strategic arms cuts in nuclear arsenals to be agreed.

Conventional disarmament is the area which will bring genuine economic savings to the sorely-strapped Soviet economy. Mr Gorbachev urgently needs to liberate some of the huge industrial capacity devoted to conventional defence for the modernisation of the rest of his economy.

His other big concern is to do with the integration process in the European Community. Just when he and his advisers have decided that the only answer for the modernisation of the Soviet economy is to open up to international trade and seek maximum foreign investment, they see the awful prospect of Western Europe — by far their most important potential trading partner — taking another quantum leap to internal integration and, very possibly, higher external barriers.

So behind the slogan of the Common European home, Mr Gorbachev is seeking reassurance: that the conventional disarmament process will go ahead swiftly, and be radical, and that just as he starts to open up the Soviet economy (and Comecon with it) he will not be frozen out of the EC after 1992.

Of all his visitors, Mr Kohl must rank as potentially the most important, both because of West Germany's position as the Soviet Union's most important Western trading partner and source of potential investment, and even more so because it is in the front line of the European divide.

There, however, lies a key distinction in what Mr Gorbachev and Mr Kohl might mean by a Common European Home. For Mr Gorbachev, it means learning to live together with the existing economic and ideological differences, and the borders, intact. For Mr Kohl, it must be just a step towards the eventual ambition of a re-united Germany.

Mr Gorbachev may have a communication problem there. He also has a real difficulty in persuading his East European allies along the same path he is thinking.

When Mr Ceausescu was in Moscow, Mr Gorbachev made no secret that his vision of the Common European Home meant integration within Comecon to match the integration within the EC, going hand-in-hand with closer trade ties between the two blocs. Neither Mr Ceausescu nor Mr Honecker are particularly keen on that idea.

Comecon is nowhere near ready to move its internal trade to the basis of a convertible rouble, because of growing policy differences between the economic reformers and the traditionalists, such as Berlin and Bucharest. Yet that move is an essential prerequisite to any big expansion of trade with Western Europe, which simply will not happen until the rouble is fully convertible, both within Comecon and then with the rest of the world.

There certainly will be some increase in trade, underlined by the big groups of top businessmen coming with their political leaders, and by the new lines of credit which West German and Italian banks have put together, with the British and French keen to follow. But the increase will be circumscribed by the slow progress of Soviet and Comecon reform.

Portuguese strike fears grow

By Diana Smith in Lisbon

RUNAWAY inflation is increasing the chances that Portugal's minority communists, already dismayed by the forthcoming removal of socialist provisions from the constitution, will foment a wave of public sector strikes this winter.

Figures show annual inflation running at 11 per cent at the end of September, compared with an original projection for 1988 of 6 per cent, to which public sector wages were pegged.

Having spectacularly missed its target, the Government tried to renege on a 1987 agreement linking wages to prices, sparking off a furious reaction both from the communist CGTP union and the moderate UGT labour organisation.

It has now softened its stance on wages for the rest of 1988, but bargaining for 1989 wages is expected to be tense, especially in a climate where constitutional change likely to lead to a privatisation programme seems set to lead to a cut in public sector jobs.

The communists have pledged to fight every "comma and semi-colon" of the amendments. Particularly galling is the expected reversal of the collectivisation of 3.75m acres of arable land, most of it in one of the communists' last remaining strongholds.

At 10 to 12 per cent of the electorate their support has fallen by half in a decade, but the CGTP dominates labour in the public sector, and has often initiated strikes in the public transport system and utilities.

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Police chief replaced in Sweden

By Sara Webb in Stockholm

SWEDEN appointed a new national police chief yesterday in a move to restore public confidence in the police and boost the morale of officers.

He is Mr Björn Eriksson, head of the Customs Office. He replaces Mr Nils Erik Ahmansson, who resigned on Wednesday after holding the post since the start of the year. His was the latest head to roll in the country's upper echelons as a result of the mismanaged hunt for Prime Minister Olof Palme's murderer.

Criticised by the Attorney-General this week for showing "remarkable deficiencies during the exercise of his duties", Mr Ahmansson had no choice but to resign. There had been repeated calls for him to go because of his involvement in a freelance investigation into the murder authorised by Mrs Anna-Greta Leijon, the former Justice Minister.

Mr Eriksson, who is 42, worked in the Finance Ministry before becoming the Customs' youngest director-general. His department has been credited with several successes including the uncovering of a suspected explosives smuggling racket.

Kohl's Moscow visit promises trade rewards

David Marsh examines the prospects for improving bilateral economic and technical relations

Co-operation between West Germany and the Soviet Union in wide areas of trade and technology is expected to take an important step forward next week during a visit to Moscow by Chancellor Helmut Kohl.

Underlining the new-found bilateral warmth after a freeze two years ago, Mr Kohl is taking with him not only five of his most senior ministers but also about 60 senior executives and other representatives of West German banking and industry.

Together with the Munich Philharmonic Orchestra, which is giving four concerts in the Soviet capital, the delegation is being billed in Bonn as the largest and highest-powered that has ever travelled on a West German government trip abroad.

Six inter-governmental agreements on environmental co-operation, manned space flight, nuclear safety, agro-industry ties, cultural exchanges and the prevention of maritime accidents are due to be signed.

A total of 20 West German companies are due to sign around 30 agreements on various types of industrial collaboration, including both firm orders and joint ventures. The formal ceremonial signing will take place of a DM3bn (£943m) German bank credit to modernise Soviet factories in light industry and food processing.

Further steps will be taken to set up a West German industrial exhibition site and office centre in Moscow, while Mr Kohl will offer a comprehensive training programme to improve the skills of Soviet employees, from foremen to managers and marketing consultants.

Mr Mikhail Gorbachev, the Soviet leader, is clearly trying to extract maximum economic advantage for his reform programmes from the relationship with Bonn. West German industry is pushing hard to gain an advantage over other competing western countries in modernising the Soviet economy.

Moscow may also want to play on the general West German desire for disarmament in an attempt to drive a wedge between Bonn and the rest of the North Atlantic Treaty Organisation over modernisation of short-range nuclear weapons in Europe.

Mr Kohl and his Defence Minister, Mr Rupert Scholz, who is included in the delegation along with the foreign, agriculture, environment and technology ministers, say they intend to resist this.

West German trade with Soviet Union (DM million)

	Exports	Imports	Surplus/Deficit
1980	7,943	7,517	+426
1981	7,621	9,225	−1,603
1982	9,395	11,358	−1,963
1983	11,245	11,788	−544
1984	10,757	14,382	−3,625
1985	10,527	13,628	−3,101
1986	9,374	9,298	+75
1987	7,846	7,261	+585
1988*	4,400	3,100	+1,300

*Provisional figures for Jan-June

Source - Federal Statistics Office

With multilateral East-West talks on conventional force stability in Europe due anyway to start around the end of the year, officials in Bonn say that Mr Gorbachev "would not be wise" in trying to launch any initiative in Moscow to split Bonn from its Western partners.

But some divergences of opinion among the western allies are almost inevitable over the vexed topic of control of technology passing to the East bloc.

Led by Mr Hans-Dietrich Genscher, the Foreign Minister, West Germany is arguing for a loosening of technology transfer restraints to improve the chances of Mr Gorbachev's ambitious restructuring plans.

The US is calling for caution in giving the Soviet Union technology which could indirectly boost its military strength.

Claiming that the Kremlin has made no move towards downgrading its offensive military capability, Washington says that Mr Gorbachev's good intentions are not enough to justify drastic liberalisation of the constraints policed by the 16-nation Paris-based CoCom export controls committee.

West Germany wants to maintain tight constraints on genuinely militarily-useful technology but liberalise trade in other hi-tech areas. The US agrees with this approach in principle, but has disagreed about the degree of relaxation areas such as computers and communications.

CoCom is due to overshadow at least one set of discussions in Moscow next week. These concern a German-Soviet plan for jointly developing small, advanced high-temperature nuclear reactors (HTRs) suitable for supplying electricity to Soviet industrial plants.

The West German Technology Ministry and the two companies involved, the Siemens' power division, Kraftwerk Union, and the German-Swedish engineering group, Asea Brown Boveri, hope to sign a deal on constructing an experimental HTR of around 200MW thermal capacity. This would cost more than DM1bn, and could lead to important future orders for the hard-pressed German nuclear sector.

Such a project would have to be vetted by CoCom because it involves both nuclear technology and high-powered computers. West German officials are, however, optimistic that a solution could be found above all because of the paramount importance of improving Soviet nuclear safety after the Chernobyl disaster.

Mr Hans-Gerd Neglein, Siemens board member for corporate sales and marketing, who will be in Moscow next week to sign the HTR accord, also hopes to clinch accord on selling medical equipment. Mr Carl Hahn, the chairman of Volkswagen, will be discussing joint automotive ventures, and Mr Hanns Arnt Vogels, the chairman of aerospace group Messerschmitt Boelkow Blohm, will be holding talks on co-operation in the aircraft and space sectors.

Shortage of foreign exchange in Moscow caused by the continuing slump in energy prices, as well as the disruption in planning caused by the pace of reform, pose the principal hurdles to any immediate industrial breakthroughs.

But West German companies which in many cases have been doing business for a century with Russia, under both the Tsars and the communists, are used to taking the long view.

Mr Helmut Giesecke, head of the foreign trade department at the West German Federation of Chambers of Commerce (DIHT), warns of the difficulties in introducing western-style structures into a "vertical command economy". But he says that "years of co-operation" have given the West Germans "confidence" in the Soviet Union. He adds: "If they cannot come to us for help, then whom can they turn to?"

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EUROPEAN NEWS

1992 'could open door to US-level incomes'

By Ralph Atkins, Economics Staff

A SINGLE European market, with the forces of competition allowed to let rip, could mean the population enjoying the same average income as in the US – or even more, it was suggested yesterday.

Professor Victoria Curzon Price, of the Institut Universitaire d'Etudes Européennes at Geneva University, said the single market from 1992 was "a fantastic dream". It would be "a pure exercise in deregulation, the devolution of power to the market and economic federalism".

She was delivering the annual Wincott lecture in London, in memory of Mr Harold Wincott, former editor of the Investors' Chronicle and columnist on the Financial Times.

Prof Curzon Price said 1992 could mean considerable gains for member countries – perhaps more than 6 per cent of European gross national product. However, she warned that the process would create social and political tensions.

"The restructuring process has hardly started. It is not a matter of a rash of mergers. It is a matter of closing down plants, opening others, concentrating production where it is most efficient, capturing economies of scale."

The single market would "remain a dream" if people fiddled with the basic concept to preserve a particular industry or set of jobs. Governments should not cling to discretionary powers, nor trade unions cry "social dumping" when a plant threatened to close.

Cumulative gains

Efficiency gains would be cumulative, she said. There was no reason why Western Europe as a whole should not seek to enjoy the same average income as Americans – or even overtake them.

At present, taking differences in purchasing power of currencies into account, per capita incomes in richer north European states were between two-thirds and three-quarters of those in the US. In the poorer southern countries, the figure was between a third and a half.

She said Mrs Margaret Thatcher, the British Prime Minister, was right to oppose a homogenised Europe and the transfer of sovereignty to a supranational body with a mandate to conduct economic policy at a European level.

"This is the kind of Europe that nobody wants except megalomaniac interventionists," said Prof Curzon Price.

However, Mrs Thatcher was fighting the wrong battle: "She should be fighting on the side of the single market, which involves a transfer of sovereignty to market forces, not to Brussels; which allows national differences to flourish, not to perish; which decentralises, rather than concentrates, economic power."

Prof Curzon Price said the 1992 project did not include the creation of a single Community currency. Moreover, Europe was a long way from accepting the political implications of managing a single currency.

However, if governments were not prepared to surrender monetary sovereignty to a European central bank, then the best hope was a system of currency management driven by market forces and independent of political considerations.

Soviet ministers rebuked in stormy budget debate

By Quentin Peel in Moscow

A STRING of Soviet government ministers have been publicly and severely reprimanded by their colleagues at a stormy debate on the Soviet economy.

The extraordinary action came at the council of ministers' meeting summoned to finalise the budget and plan for the coming year.

The ministers ordered drastic moves to curb the Soviet state budget deficit, including measures to wind up insolvent enterprises and cut spending on the state bureaucracy.

They also rounded on colleagues responsible for food production and supplies to the shops, accusing them of failing to re-equip their factories as ordered by the Communist Party central committee last year. They attacked the chairmen of the central planning bodies for complacency in continuing to cite rosy statistics which disguised "negative tendencies (in the economy) which are growing rather than subsiding".

The stormy meeting, chaired by Mr Nikolai Ryzhkov, the Prime Minister, is supposed to finalise the budget figures for next week's session of the Supreme Soviet, the national parliament.

Tass news agency yesterday reported in detail the reprimands issued to leading members of the government, including Mr Vsevolod Murakhovsky, chairman of the State Agro-industrial Committee, and two of his deputies. It also reported strong criticism of the Ministry of Defence Industries for apparently refusing to produce machinery for the food processing sector.

The State Committee for Statistics, Goskomstat, yesterday issued its traditional, doubtful statistics for Soviet economic growth over the past nine months, putting the figure at 4.7 per cent. However, even Goskomstat had to admit to disturbing trends, both in price rises which it has yet to calculate, and in the faster increase of wages above the rise in labour productivity.

The ministers reported huge shortfalls in meeting planned targets in several sectors, including food worth 1.3bn roubles ($2bn) less than planned, and a shortfall of housing construction in the Russian federation to the tune of 19,000 flats.

De Mita says Bush gets Gorbachev vote

By John Wyles

MR GEORGE BUSH'S candidacy for the US presidency was given a scarcely veiled endorsement by Mr Mikhail Gorbachev, the Soviet leader in his talks with Mr Ciriaco De Mita, Italy's prime minister. In the same discussions the Soviet leader lavished praise on Mr George Shultz, the US Secretary of State, both for his personal qualities and the contribution he had made to improving US-Soviet relations.

Mr Gorbachev had "stressed his esteem (for Mr Shultz) and for his understanding of the problems in a manner which was by no means purely formal," Mr De Mita told a group of foreign journalists.

After indicating that his own preference was for a Bush victory next month because there tended to be "more novelty" in Republican foreign policy than the Democrats', Mr De Mita revealed that Mr Gorbachev had seemed of the same opinion. "I am in favour of continuity in politics," Mr Gorbachev told him.

Speaking just two days after his return from Moscow, Mr De Mita acknowledged that his first impression after a dozen hours of talks with the Soviet leader which not only embraced East-West issues but also Marxism ("he was faithful to the memory") and the future of mankind, had left him sharing the judgment of many other Western leaders.

"He is an extraordinary person, very realistic, very pragmatic with little ideology," he said.

Mr De Mita said he had taken no position on behalf of Italy which was outside the framework agreed by the leaders of the seven industrialised nations at the Toronto summit earlier this year.

Mr Gorbachev had appeared to confirm the judgment made then that reducing military expenditure was Moscow's top priority.

"He asked the Italian Government to do everything possible to get the talks on conventional arms reductions started as soon as possible."

The Soviet need to satisfy popular rather than technological requirements was evident from its interest in reaching agreements with Italian producers in the fields of agribusiness, tourism and consumer goods, said Mr De Mita. The Soviets also suggested sending a team of experts to Italy to study how the large public sector operated in a market environment.

EC debate clouds Anglo-Italian meeting

By John Wyles in Verbania

IF IT persists, the rain and mist obscuring the view across Lake Maggiore in northern Italy yesterday may be an appropriate metaphor for today's annual Anglo-Italian ministerial summit in Verbania at the lakeside Villa Taranto.

Both Mrs Margaret Thatcher, the British Prime Minister, and her Italian counterpart, Mr Ciriaco De Mita, risk being separated by a fog of mutual incomprehension on two issues: the future development of the European Community, and how the West should respond to Mr Mikhail Gorbachev.

Mrs Thatcher's recent public reluctance to countenance further surrenders of national sovereignty to the EC reflects the instincts of a nation which has enjoyed centuries of freedom from foreign interference.

Mr De Mita and his fellow Italians, by contrast, have concluded that national identity can survive generations of foreign occupation and that sovereignty is worth little if not backed up by economic, political and military strength.

Mr De Mita said this week that it was "absurd" to believe that further transfers of sovereignty could be avoided. Mrs Thatcher thinks differently.

But the Italians claim they are no longer the extravagant European federalists they once were. Mr Gianni de Michelis, the deputy Prime Minister, said this week that Italian ideals were now qualified by a more pragmatic attention to detail.

Specifically, Mr De Mita believes the European Monetary System must be strengthened after the introduction of free capital movement in June 1990. He wants much closer economic policy co-ordination through a step-by-step approach to the creation of a European central bank. Mrs Thatcher, still opposed to putting sterling into the EMS, is reluctant to lose control over national economic policy that this process would imply.

On the Soviet Union, both leaders are likely to agree on Mr Gorbachev's impressive personal qualities. But Mrs Thatcher is much more cautious about the nature of the economic support to be offered to Mr Gorbachev.

Greek banker charged

By Andriana Ierodiaconou in Athens

A PROSECUTOR yesterday filed charges of financial irregularities against Mr George Koskotas, the 34-year-old Greek banker and press baron who has shot from obscurity in six years.

The charges include embezzlement and the use of forged or illegal documents in foreign currency transactions. The Greek state news agency said Mr Koskotas has been barred from leaving Greece.

The charges filed yesterday follow intense lobbying against him by five rival publishers, which led to an investigation by the central bank into the financial dealings of the Bank of Crete, the small private commercial bank he controls.

His news empire comprises six magazines, three daily newspapers and a radio station. The Koskotas group, which includes the Olympiakos soccer team, employs 3,500.

However until special laws were passed this week, the investigation was hamstrung by a law passed in 1971 ensuring the confidentiality of bank deposits. The central bank moved on Wednesday night to take management of the Bank of Crete out of Mr Koskotas's hands.

A commissioner was appointed to conduct an audit.

EC to save £2.47bn on 1989 budget

By David Buchan in Brussels

EUROPEAN COMMUNITY member states are to make a collective saving of Ecu3.8bn (£2.47bn) on their contributions next year to the EC budget because of a fortuitous coincidence of stronger economic growth, a rising dollar and world food prices, and EC farm spending reforms.

Mr Henning Christophersen, the budget commissioner, yesterday announced a downward revision of his earlier-drafted 1989 spending plan by Ecu1.45bn to Ecu45bn, and the Ecu3.8bn reduction in the call on member states' contributions. Britain will share in this saving, and receive an extra Ecu55m increase in its special budget rebate.

Mr Christophersen cautioned against any conclusion that the EC was heading for structural cash surpluses. The saving was rather the combination of internal farm spending reforms and "conjunctural developments" on the world currency and commodity markets.

On the revenue side, the Community is expected to end this year with a Ecu2bn surplus. Stronger than expected economic growth and the rise in the value (in Ecu terms) of dollar-price imports have boosted value added tax and custom duty receipts which member states pay into the EC budget.

The US summer drought has helped drive world food prices up nearer to EC levels and reduced Community food export subsidies, leaving Ecu1bn unspent in the 1988 budget.

For the same reasons, the Commission now calculates it can lop Ecu1.45bn off spending next year. The double effect of income boost and expenditure drop has produced the Ecu3.8bn saving.

Palestinians to seek support for independence

By Andrew Gowers, Middle East Editor

THE Palestine Liberation Organisation's highest policy-making body is to meet in Algiers on November 12 to launch a political initiative aimed at winning international support for the establishment of an independent Palestinian state.

The announcement yesterday of a three-day meeting of the Palestine National Council – which Palestinians regard as their "parliament in exile" – followed months of fierce debate within the PLO and intensive consultations with Arab and other friendly governments.

The meeting is widely regarded as one of the most important in the PLO's 24-year history. It will determine whether the organisation can translate the international attention now focused on the Palestine issue as a result of the uprising in the Israeli-occupied West Bank and Gaza Strip into a genuine political advance.

A number of Western governments – as well as the Soviet Union, which has been playing an especially prominent role in preparations for the council session – hope that the PLO will agree on a statement in effect recognising Israel and thus facilitating the launch of an international Middle East peace conference. But there remains some scepticism in Western capitals as to how far Mr Yassir Arafat, the PLO chairman, will be able to persuade the organisation's diverse factions to go along this route.

The PNC's immediate task is to consider a response to Jordan's recent decision to sever legal and administrative ties with the West Bank, which placed responsibility for the Palestine issue squarely on the PLO.

The consensus reached in a long series of meetings in Tunis, the organisation's political headquarters, is that the PNC will formally declare the establishment of a state in the occupied territories on the basis of the United Nations 1947 partition plan for Palestine – a move now of largely symbolic significance but which could be presented as an effective recognition of Israel.

The PNC will probably ask other PLO committees to consider eventually setting up a provisional government-in-exile, perhaps as a body to negotiate on behalf of the PLO, according to PLO officials.

Much more interest will surround any political declaration accompanying the proclamation of a state. Mr Arafat and his allies have been groping for a form of words suggesting that a Palestinian state would co-exist peacefully with Israel, but any significant concessions will be fiercely resisted by hard-line PLO factions.

Formulae under consideration revolve around a number of UN resolutions, especially Security Council resolution 242 of 1967 and resolution 338 of 1973 which call for Israel's withdrawal from the territories it seized in the Six-Day War. These resolutions have long been the basis for Western policy on the Arab-Israeli conflict, but the PLO has hitherto refused to endorse them specifically.

Embattled Kaunda takes few chances at the polls

Nicholas Woodsworth explains why Zambia's President is seeking a massive Yes vote on October 26

ONE ZAMBIA. The call, issued from a makeshift dais where besuited dignitaries sit perspiring in the hot sun, floats out over the school yard to the gathered crowd.

"One Nation." The refrain, resounding in perfect unison from 300 throats, rolls back with the practised ease of religious litany. In the dust of the school yard, women seated on the ground stop breast-feeding babies. Men look out from the shade of their black umbrellas. Children from the surrounding shacks and tenements gaze wide-eyed at the batons of the tough-looking party provosts keeping order.

"One Nation", the lone voice from the dias booms out once more into the blue and cloudless sky.

"One leader", the response surges back.

"And that leader?"

"Doctor Kenneth David Kaunda," the answer returns in a crescendo of triumph, and then settles to a heavy, rhythmic "K.K. Vote Yes. K.K. Vote Yes".

All over the country, in populous urban communities and isolated rural areas, the vast political machinery of President Kaunda's United National Independence Party (Unip) is running thousands of similarly well-oiled election rallies.

For weeks Government ministers and Unip central committee members have tirelessly toured the provinces on the President's behalf. The state-owned national press, radio, and television cover very little but the campaign. Cars carry K.K. bumper stickers. K.K. T-shirts are worn by everyone from businessmen to the boys who pack bags in suburban shopping centres. The election campaign has complicated even shopping itself: in Lusaka's central market, roving patrols of Unip militants allow purchases only on the presentation of voter's registration cards.

Zambians are not normally a highly politicised people, and the government is rarely so insistent in eliciting their participation. Most Zambians ignore a process in which they have little input. In ordinary by-elections in recent years a 20 per cent turn out of registered voters has been usual.

But this is no ordinary election. Unip is the sole legal party in the country and Dr Kaunda the sole presidential candidate, but an overwhelming vote for him in national elections – held every five years – is seen as vital to the legitimacy of his, and Unip's, rule.

Kaunda: heavy hand

The reasons for this are both political and economic. Since independence in 1964, Dr Kaunda has based his uninterrupted leadership on a creed of self-styled "humanism". It is a philosophy that contains elements of Fabian socialism and Christianity, and while he has rejected multi-party democracy, he has traditionally permitted lively debate in a national legislature made up of Unip members.

Thus the elections on October 26 are not only a referendum for President Kaunda (his ballot consists of a "yes" option, indicated for the benefit of Zambia's illiterate by a drawing of an eagle, and a "no" option, a toad). There is also a choice of Unip parliamentary candidates in each of the country's constituencies.

Inside the framework of limited democracy, President Kaunda has always kept tight control over potential opposition. Recently, however, there has been a marked shift away from democratic procedure.

In an effort to reassert control over a parliament that has become increasingly critical of his leadership, President Kaunda recently raised the number of Unip central committee members, from 25 to 68. This inner circle of the party now forms an effective counter-weight to parliament, and threatens to turn it into a rubber stamp of party policy. Parliamentary backbenchers, who have traditionally acted as an informal but often effective opposition, now find their influence much reduced.

Unip leaders have also taken steps to ensure that opposition is further reduced following the elections. In past electoral contests Unip has eliminated those parliamentary candidates not entirely supportive of President Kaunda and the party line. Never before, however, has the vetting process attained such dimensions – more than 130 candidates, including seven incumbents, have been barred from standing in the coming elections.

Most of the political opposition which Dr Kaunda is attempting to pre-empt arises from his inability to control a sharply deteriorating economy. In the spring of 1987 he broke off relations with the International Monetary Fund and opted to go it alone. The decision brought with it the problems of an overvalued currency, a growing budget deficit, and a continuing government commitment to consumer subsidies it could no longer pay for.

The result has been a crippling lack of foreign exchange, an inflation rate growing at 60 per cent annually, and a black market that fewer and fewer people have been able to afford.

The President continues to receive support from traditional rural elements, but dissatisfaction with Unip's handling of the economy has now spread from the business community to bureaucrats, the lower ranks of military officers, and urban workers alike. Despite lack of official confirmation, it now seems certain that government security forces acted on October 8 to forestall a military-led coup.

With an ever-narrowing base of popular support, it is essential that President Kaunda be seen to have won a massive "yes" vote in the elections. Even without recent government warnings that those voting against him will be considered "enemies of the people", he will undoubtedly obtain the minimum 50 per cent of votes he needs to stay in power.

The real threat to President Kaunda, however – the continuing economic decline of the country – will remain a post-electoral battle.

Israel ponders bomb revenge

By Andrew Whitley in Jerusalem

THE Israeli Cabinet met in emergency session yesterday to discuss a response to Wednesday's suicide car bomb attack in southern Lebanon which left seven Israeli soldiers dead and eight wounded, two of them in critical condition.

Electioneering more or less halted for the day, as party leaders from all sides promised revenge against the pro-Iranian Islamic Resistance movement which had claimed responsibility for the bloody incident.

Campaign broadcasts were cancelled and a pall of sorrow descended over the country. In what appeared to be a preliminary, punitive action, Radio Free Lebanon reported that long-range Israeli artillery batteries opened fire early in the morning against three Lebanese Shia villages just beyond the limits of Israel's self-declared "security zone".

Grim-faced over what he said was a painful reminder of "one of the many threats to Israel's security," Prime Minister Yitzhak Shamir warned: "We are obliged to hit these people of blood and terror at every place and every time. We owe this to ourselves, our soldiers and our security."

Botha spurns harsh race law punishments

By Anthony Robinson in Johannesburg

PRESIDENT P.W. Botha has decided quietly to shelve proposed legislation which would have introduced heavy fines and jail sentences for violations of the residential segregation Group Areas Act. At the same time he has passed on to the President's Council for further discussion two other reform bills which will legalise racially-mixed residential areas for the first time.

The decision to pass the Free Settlement Areas Bill on to the President's Council – the top level policy advisory body – follows the rejection of all three group areas amendment bills by the "coloured" and Indian houses of the tri-cameral parliament last month.

The rejection followed emotional debates which revealed the depth of bitterness in both communities at the forced removals which followed introduction of the Group Areas Acts. The acts rigidly define ethnically separate residential areas, but in practice they have proved unworkable in many inner-city areas. Whole areas such as Cape Town's District Six were bulldozed in the 1960s while elsewhere white families moved into houses formerly owned by "coloureds" or Indians.

Initially the Government had hoped to railroad the bills through parliament before next week's municipal elections in an apparent effort to appease conservative white voters.

Given the depth of opposition to the bills domestically, and reservations expressed by foreign businessmen and politicians during President Botha's recent European and African tour, the Government appears to have decided to change tactics. The latest decision appears to be aimed at bringing wavering reform-minded urban voters back to the National Party while giving up hope of attracting back conservative voters.

Fahd tries to mend fences with Iran

By Andrew Gowers, Middle East Editor

KING FAHD of Saudi Arabia has taken an important step towards reconciliation with Iran by ordering the country's officially-regulated media to halt their stream of often vitriolic attacks on Tehran.

The Saudi Press Agency said the King had decreed that criticism of Iran in the press and on broadcast media, which has been constant since Iranian pilgrims rioted in Mecca last year, should cease as an aspect of Saudi good intentions towards Iran. "Let us take the initiative. . . and we hope to get the same in return," the agency quoted him as saying.

Saudi Arabia broke off diplomatic relations with Iran last April as a result of a continuing row about the Mecca riot, in which more than 400 people died. Only last month, four Saudis accused of conspiring with Iran to blow up fuel tanks at a Saudi petrochemical plant were executed amid a further propaganda barrage from Riyadh.

The Saudi move follows a similar conciliatory statement last Friday from Hojatoleslam Ali Akbar Hashemi Rafsanjani, Iran's de facto political leader. It underlines the reduction in tensions between Iran and countries on the southern side of the Gulf since the ceasefire between Iran and Iraq took hold in August.

Iran and Kuwait, which came close to being drawn into the Gulf war last year, have agreed to resume diplomatic relations. Bahrain has also decided to upgrade its own ties with Tehran.

Jordan faces austerity

By Our Foreign Staff

JORDAN'S foreign exchange market appeared to be stabilising yesterday as the country braced itself for government austerity measures following a decline in its foreign reserves.

After five days of sharp fluctuations in which the Jordanian dinar lost 15 per cent of its value against the US dollar, the currency yesterday settled at about 475 fils to the dollar on the free market, still wide of the central bank's official rate of 445 fils. There are 1,000 fils to the dinar.

The fluctuations were triggered by a government move to align its exchange rate to market values last Saturday, described by officials as a partial flotation of the dinar designed to stop the recent drain on reserves. But the sharp rise in the dollar prompted 150 industrialists to demand moves to stabilise the market.

Bond TV inquiry to take in claim of threat

By Chris Sherwell in Sydney

AN OFFICIAL inquiry into the fitness of Mr Alan Bond's Bond Corporation to hold broadcasting licences in Australia was expanded yesterday to include investigations into threats allegedly made against the AMP Society, Australia's largest institutional investor.

The inquiry is being conducted by the Australian Broadcasting Tribunal, the broadcasting watchdog, and has so far confined itself to a controversial A$400,000 (£185,000) defamation payment paid by Mr Bond in 1986 to Sir Joh Bjelke-Petersen, the former Queensland Premier, in relation to a television programme.

With the surprise move yesterday its ambit has widened substantially and the question mark hanging over the Bond group's broadcasting operations, which include the Channel Nine television network and a chain of radio stations, is now greater. The Bond empire includes brewing, media, property and resources.

Hitherto the tribunal's concern has been whether Mr Bond's out-of-court payment to Sir Joh was made in response to a threat to Mr Bond's continued business dealings in Queensland. The suggestion arose from a promotional clip of a programme in which Mr Bond said as much to a television interviewer. When the programme went out, the relevant segment of the interview was excised, apparently in fear that it might be defamatory.

Bond: question marks

The tribunal's hearings coincide with a separate legal action involving the Bond group in the New South Wales supreme court. A judge is being asked to decide whether a A$100m "success fee" should be paid by the Fairfax newspaper empire following the A$2.55bn bid by 28-year-old Mr Warwick Fairfax to take the company private last year.

Mr Fairfax is refusing to pay the fee, which was originally to go to Rothwells merchant bank of Perth but which, because of its own financial troubles, has been sold on to Mr Bond's Bond Media. Bond Media and Rothwells are suing, and Mr Fairfax has launched counter-suits.

The case began on Monday and is expected to last several weeks. It has already provoked extraordinary allegations of double-dealing, betrayal and cowardice.

The hearings continue.

Troubled waters ahead for Iraqi irrigation

Joyce Starr and Stephen Alley on prospects for realising Iraq's agricultural potential

DESPITE the deadlock in Iran-Iraq negotiations, there is already wide speculation concerning Iraq's enormous post-war agricultural potential.

The Iraqi Government has long viewed agricultural independence as a prime component of political power and has prompted self-sufficiency by pouring large sums of money into agricultural projects. Achievement of this, however, requires Iraqi accessibility to dependable and renewable water resources. But Iraqi waters may be as murky as the peace process that lies ahead.

Like many Middle Eastern countries, Iraq is dependent upon limited, external sources of water. The Tigris and Enphrates rivers, around which most of Iraq's population is clustered, represent the only dependable and renewable water supply in Iraq.

Although nearly three-quarters of the Tigris/Euphrates river basin lies within Iraq, more than 80 per cent of the country's measurable water supply derives from sources outside its borders, primarily in eastern Turkey and north-western Iran.

For Iraq, with its 15m people and high birthrate, agricultural self-sufficiency is viewed as synonymous with national security. Indeed, Iraq has the potential to become not only self-sufficient, but also a leading Middle Eastern food exporter. And only agriculture has the potential to employ Iraq's burgeoning population.

Agriculture employs about 35 per cent of the population compared to 3 per cent in oil production. Iraq's upstream neighbours, Turkey and Syria, have plans, however, that could thwart Iraq's development programme.

Turkey has already begun work on the Southeast Anatolia Project, a sweeping scheme of 13 dams on the Tigris and Euphrates rivers.

The Ataturk dam (projected completion date 1990 or 1991) conld divert the entire Euphrates river into the Urfa plain, thus forcing both Iraq and Syria into the role of "hydrological dependents."

Turkey plans to irrigate abont 283,000 additional acres, Syria 259,000 acres, and Iraq 498,000 acres. Combined, these abstractions add up to more water than the Euphrates river can sometimes provide.

To make matters worse, Turkey, Syria and Iraq have yet to hammer out a formal agreement on water basin apportionment or management. The World Bank and the Islamic Development Bank have so far refused to finance the Ataturk Dam in Turkey for precisely this reason.

In 1986, the Turks uncovered an alleged Syrian plot to blow up the dam. And twice, in 1975 and in 1984, Iraq and Syria almost came to blows, in part over a temporary dearth of Euphrates water.

Turkey is trying to avoid conflict over Tigris/Eurphrates water by working to improve relations with its Arab neighbours and, in particular, Iraq with which it has an increasingly complex relationship.

Iraq has recently become Turkey's main trading partner; Turkey receives handsome commission on profits from Iraqi oil that flows through a Turkish pipeline to the Mediterranean; both Turkey and Iraq fear effective mobilisation of the Kurds living in areas of northern Iraq and south-eastern Turkey close to the pipeline.

Despite Turkish and Iraqi disagreement over Tigris/Eurphrates water, the generally workable relationship between the two countries protects Iraq from Syrian exploitation. If Syria were to divert an undue amount of Euphrates water, it would incur the wrath of both Turkey and Iraq.

On balance, there is probably no imminent shortage of water in the Tigris/Euphrates river basin primarily because Iraq, Turkey and Syria have been unable to implement fully their excessively optimistic development and irrigation schemes.

Their complete implementation is unlikely for several reasons, including financial considerations. Thus, the Tigris/Euphrates is the only drainage basin in the Middle East that can be considered to have a current surplus of water.

Although Iraq has no intention of backing down from its claims to Euphrates waters, its current, more pragmatic, development plans focus on exploiting the relatively cleaner, more abundant, and more secure Tigris river and its northern and eastern tributaries with 22 flood control, hydroelectric, water storage and irrigation schemes.

The development of Iraq'e northern water resources is not without constraints, however. The Tigris and its tributaries are closer to Iraq's less integrated Kurdish population and to the Iran-Iraq border which, nntil recently, saw active fighting.

Gorges and cliffs characterise the Tigris in its northern stretches, making pumped irrigation more difficult. Finally, the bulk of Iraqi agriculture is located in the southern and central areas of the state.

Intensive agricultural development in tha north will require not only extensive population relocation but also the retention of Tigris waters in the north. Therefore, the marshes in the south – which owe their existence to a combination of Gulf and river waters – could disappear, disrupting the way of life there. Iraq's marsh Arabs are Shia – not the ruling Sunni Muslims – and massive social adjustments or discontent could adversely affect Iraq's internal stability.

Hard bargaining by Iraq to ensura access to abundant water resources is but one manifestation of Iraq's determination to chart an independent course for its economic and political recovery.

For the moment, Iraqi development of its Tigris river resources postpones real conflict with Turkey and/or Syria over Enphrates water resonrces by focusing Iraqi efforts on a less competitive water source.

But if demand among all three riparians continues to rocket while water enpply holds constant, another source of friction will be introduced into this already volatile region, further clouding prospects for lasting peace and stability.

Dr Joyce Starr is Director of Economic and Social Development Studies and Senior Fellow for Near East Studies at The Center for Strategic & International Studies; Stephen Alley is a Research Associate at the Center for Strategic & International Studies.

Iran rejects offer on prisoners

IRAN yesterday called an Iraqi offer to exchange prisoners an obstructive propaganda ploy designed to delay implementation of a United Nations settlement of their eight-year war, Reuter reports from Nicosia.

"If it were not for these Iraqi obstructions, half of the POWs would have been freed by now," the Iranian news agency IRNA quoted Iran's military commander-in-chief Mr Ali Akbar Hashemi Rafsanjani as saying.

The International Committee of the Red Cross (ICRC) estimates there might be up to 70,000 Iraqi prisoners in Iranian camps. Baghdad has said it holds up to 35,000 Iranians.

In an interview with IRNA, received in Nicosia, Mr Rafsanjani said the Baghdad offer was meant to deflect mounting domestic pressure for the return of prisoners-of-war from Iran.

"The people of Iraq have realised that the only way to guarantee the release of the POWs is for Iraq to stop its impediments in the way of the resolution's execution," he said, referring to Security Council resolution 598 which is the basis of the peace negotiations.

Iraq said the prisoner exchange was a humanitarian matter not to be tied to other provisions of resolution 598.

Pakistan may turn to banks for loans

By Christina Lamb in Islamabad

PAKISTAN is considering borrowing on the commercial market to replenish dwindling foreign exchange reserves which have fallen to a level barely enough for three weeks' imports.

Foreign exchange reserves have declined to $330m because of foreign debt repayments and a decline in remittances from abroad. Figures for July and August show that home remittances amounted to $258.5m compared with $315.8m last year.

To help tide Pakistan over, USAid announced that $230m military assistance given last year would be treated as a grant rather than on semi-commercial terms.

An International Monetary Fund team is currently visiting Pakistan to consider a request for nearly $1bn standby credit and structural adjnstment loan. Even if agreed the money will not become available until December, which will force Pakistan to borrow from foreign banks to tide it over.

Meanwhile the Pakistan Government is facing serious difficulties over the budget which becomes illegal at the end of this month. The constitution only allows a government to spend federal funds for 120 days without approval from the assemblies. The budget was introdnced by ordinance in late June, a month after the assemblies had been dissolved.

The Snpreme Court is unwilling to set a precedent by allowing the budget ordinance to be extended and is considering restoring the assemblies for an hour for them to approve the budget.

Arrest made in Japan stock scandal case

By Stefan Wagstyl in Tokyo

AN ARREST was made yesterday in the Japanese stock market scandal which has brought serious political difficulties for Mr Noboru Takeshita, the Prime Minister.

Mr Hiroshi Matsubara, a former senior executive of Recruit Cosmos, the company at the centre of the affair, was arrested on charges of offering a Y5m (£65,800) bribe.

Mr Matsubara allegedly offered the money to Mr Yanosuke Narazaki, an opposition member of the Diet (parliament), to persuade him to stop investigating the affair.

The scandal broke in June when it was revealed that prominent people including politicians had received shares in Recruit Cosmos, a privately-owned property company, and made large profits when it was subsequently floated.

Chinese rebel kept at home

Chinese authorities have prevented Fang Lizhi, a leading dissident, from accepting an invitation to visit and lecture in the US, Peter Ellingsen writes from Peking. Although there has been no official announcement, sources say Mr Fang – often called China's Andrei Sakharov – was denied permission to leave because of outspoken comments made on a recent trip. It is believed the 52-year-old astrophysicist will not be allowed out of the country for the rest of the year. It is known that his attacks on the lack of freedom for intellectuals has angered senior leaders.

Two Koreas soften lines on reunification moves

By Maggie Ford in Seoul

REPRESENTATIVES of both North and South Korea have made speeches at the United Nations suggesting a glimmer of hope for reducing tension and confrontation on the divided Korean peninsula.

The two superpowers, along with Japan and China, have welcomed the speech by President Roh Tae Woo of South Korea as a sincere attempt to make progress towards peace and reunification. Mr Kang Sok Ju, the North Korean deputy Foreign Minister, offered hints in his speech that a basis for negotiation could be reached but also made clear that major and fundamental obstacles remain.

President Roh offered several new proposals, which seemed to have surprised western diplomats. He suggested that a regional conference including the two Koreas and the four other countries with interests in the region should be set up to establish peace in East Asia.

This proposal, according to the Soviet ambassador to the UN, bore a strong resemblance to the idea suggested by Mr Mikhail Gorbachev, the Soviet leader, in his speech in Siberia last month and was welcomed by Moscow. It was pointedly ignored by Mr Kang in his speech.

Mr Roh said that he wished to meet President Kim Il Sung of North Korea to agree on a non-aggression pact and on turning the armistice agreement which ended the Korean War into a peace treaty.

Mr Kang suggested that top-level military and political talks could be held at the UN to prepare for the summit but pointed out military exercises by the US in South Korea were spoiling the atmosphere for reconciliation.

Both leaders in their speeches renounced the first use of force against the other and listed disarmament and weapons rednctions as key issues on a summit agenda. They avoided the provocative language that has characterised contacts between the two Koreas since the 1950s.

The attitude of the US, which has numerous military bases and an arsenal of weapons including nuclear arms in the South, will be a key indicator of progress towards an end to one of tha world's most tense confrontations.

AMERICAN NEWS

Standby financing talks follow $100m debt repayment

IMF team to visit Argentina

By Stephen Fidler, Euromarkets Correspondent

AN International Monetary Fund team is scheduled to visit Argentina next week to discuss new standby financing, amid differences between the Fund and the World Bank about the proper level for the Government's fiscal deficit.

The visit follows talks this week between the country's debt negotiators and its leading bank creditors, and interest payment of about $100m made on Wednesday by the country to its banks. Argentina is understood to have requested up to $3.5bn from the banks in new money for 1988 and 1989.

As worries mount that time to put together a financial package for the country is getting short before the presidential election next May, the IMF and World Bank differ on how quickly the government can shrink its fiscal deficit.

The Fund is said to be pushing for a fiscal deficit of 2 per cent of gross domestic product. Yet, to qualify for controversial loans totalling $750m from the World Bank, announced late last month, Argentina has undertaken to reduce its deficit only to 2.4 per cent of GDP.

The country, in arrears on interest payments to its commercial bank creditors dating back to April, made its interest payment as its debt negotiators settled down to talks with bankers in New York.

In what could prove a controversial move, the payments relate only to new loans granted by commercial banks in big rescheduling packages in 1985 and 1987. The country's total arrears to creditors are estimated at $1.2bn.

The payment was announced in a joint statement yesterday from Mr Daniel Marx, director of the Argentine central bank who is heading the Argentine team in New York, and Mr William Rhodes of Citicorp, chairman of the bank working committee for Argentina.

The payments are understood to cover almost all interest arrears on a new $1.95bn loan granted in 1987 for the country, and something less than half of those on a $4.2bn loan made in 1985.

Argentina's interest arrears constitutes a significant obstacle to the country's efforts to persuade banks to provide new financing. Yet, this move, characterised by senior bankers as being an Argentine initiative, has the advantage that it rewards those banks that participated in the recent financings and addresses the problem of the so-called "free riders". These are banks that refuse to participate in new money packages yet continue to reap the interest payments on the older debt.

Nevertheless, the decision may be challenged by some of the free riding banks which may argue that the older financings are being subordinated, contrary to loan documentation which says that all banks financings should rank equally.

General Pinochet's cabinet resigns

By Robert Graham, Latin America Editor

THE CHILEAN Cabinet resigned yesterday, paving the way for new blood in the wake of General Augusto Pinochet's defeat in the October 5 presidential plebiscite.

The 16-man cabinet resigned on October 6 immediately after the plebiscite vote denied Gen Pinochet a further eight years in power. But the Chilean military leader refused to accept their resignations.

Yesterday's move was announced after a brief cabinet meeting by Mr Orlando Poblete, the secretary-general of the government. Mr Poblete said Gen Pinochet would now be able "to select his people and take the steps he considers proper in this post-plebiscite stage".

The composition of the cabinet will give the first indication of how Gen Pinochet will approach the next 18 months, during which, under the 1980 Constitution, he is permitted to remain in office.

One of those under strongest pressure to go is Mr Sergio Fernandez, the hardline Interior Minister who ran Gen Pinochet's plebiscite campaign. It will also be significant if Mr Hernan Buchi, who has masterminded Chile's economic recovery, retains a place in the cabinet.

Gen Pinochet is under strong pressure to begin a dialogue on a transition to democracy in the wake of the plebiscite in which the opposition grouping, including 16 political parties, won almost 55 per cent of the vote.

His initial statements have been defiant and have scarcely conceded that he lost the vote.

The opposition has been waiting for a cabinet reshuffle before defining more clearly its position.

However, the opposition parties are anxious to bring forward the parliamentary and presidential elections, which are not due to be held until December 1989.

US may impose sanctions against Iraq

By Edward Mortimer in Washington

US SANCTIONS against Iraq may come into force within the next few days, because of fresh allegations that poison gas is being used against Kurdish insurgents and civilians in Northern Iraq.

The US Congressional session is about to end, but prospects are now good for the passage of a tax bill which includes legislation agreed by both houses to impose sanctions on Iraq.

Under the bill, "initial sanctions" would go into force immediately unless President Ronald Reagan can certify that Iraq is not using chemical weapons and has provided "reliable assurances" that it will not do so in the future.

In addition Mr Reagan will need to be able to certify either that Iraq is willing to allow on-site international verification (which the country has so far refused) or that "other reliable means exist" to ensure that it is not using chemical weapons.

IRS to tighten rules on profit transfers

By Our Foreign Staff

THE US Internal Revenue Service is to tighten its rules on the treatment of income earned by US multinational companies to prevent them shifting income to foreign subsidiaries which pay lower taxes.

The rules will focus on the pricing of transactions between parent companies and their overseas subsidiaries, especially those relating to licences, patents and other intangible items, the Internal Revenue Service said in Washington yesterday.

The agency issued a report that will form the basis of the rules, which will take into account changes made by the 1986 tax reform law.

The rules will discuss treatment of so-called arm's length pricing, which requires that for tax purposes a price for a transaction must be set the same as two unrelated companies would set it.

There had been speculation that the taxation law had eliminated arm's-length pricing.

The IRS said it had not been eliminated but that the new rules would be designed to use penalties to curb abuses.

The agency will hear comments from the public on the report before the rules are adopted.

Greenhouse effect 'is irreversible'

By Nancy Dunne in Washington

THE US Environmental Protection Agency painted an alarming picture of coming changes in the earth's climate, known as the "greenhouse effect," and concluded that the damage is likely to be irreversible.

In its first major assessment of the global changes resulting from the build-up of carbon dioxide and other gases in the earth's atmosphere, which would increase the earth's temperature by 3 to 9 degrees Fahrenheit, the EPA said the cost of protecting major US cities could reach $111bn by the year 2100.

"If change is slow enough, nature can adapt through migration and society can adjust," the report said. "A rapid climate change, however, may overwhelm the ability of systems to adapt."

The EPA said that rising sea levels caused by ice cap melts could mean flooding of US coastal areas and the loss of 7,000 square miles of land. Farm lands will be lost in the southern US, but the northern areas are likely to become more productive.

It said that in the next 100 years climate changes could obliterate up to 80 per cent of the marshy breeding and roosting groups of birds, fish and alligators along the Atlantic and Gulf Coasts.

Dukakis makes a pitch for the little guy

The Democratic candidate is playing the economic populist card – but it may be too late, writes Lionel Barber from Akron, Ohio

THIS humdrum industrial town just south of Cleveland was once the rubber capital of the world, the fastest growth spot in the US, home of Goodyear, Firestone, B.F. Goodrich and General Tyres.

Today, 60 years on, Akron is a busted boom-town. B.F. Goodrich has abandoned tyre-making, General Tyres sold out to the Germans. The Japanese swallowed Firestone. Just two years ago, Goodyear – motto: "Protect our Good Name" – narrowly escaped the clutches of the British aristocrat-turned-corporate raider Sir James Goldsmith.

Akron would seem to be fertile ground for Governor Michael Dukakis as he tries to narrow Vice-President George Bush's 10-point lead in the polls in Ohio with a newly-forged message of "economic patriotism", attacking Wall Street, merger mania, foreign bankers and foreign ownership of US real estate and business.

The stakes are high for both sides. The Republicans, apparently secure in the South and Rocky Mountain states, are campaigning furiously to prise Ohio away from the Democrats and drive a wedge into their northern stronghold. Mr Dukakis needs to win Ohio, along with neighbouring Illinois and Michigan, if he is to have a chance of beating Mr Bush.

On the surface, Ohio, with 23 electoral college votes, ought to be competitive. It has a strong state Democratic party, two Democratic senators – the former astronaut Senator John Glenn and Senator Howard Metzenbaum, who counts as one of the most liberal members of the US Senate and who, according to the polls, leads his Republican opponent Mayor George Voinovich of Cleveland by 25 points in the Senate race.

The secret of Mr Metzenbaum's success is that he has shed his liberal image by standing up for the little guy and playing the economic populist – precisely what Mr Dukakis is trying to achieve as he makes a belated pitch for the support of organised labour.

There were times this week that Mr Dukakis seemed to be rediscovering the party of Franklin Roosevelt in the 1930s and 1940s, when the Democrats won five successive presidential elections. In those days, the United Rubber Workers, the steel workers and the rest of the heavy metal unions delivered thousands of votes in the industrial Mid-West. But economic forces, combined with the decline of organised labour and the drift of population out of the big cities, have undermined the Democratic Party's natural voting base.

As Dr John Green, an associate professor at the University

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of Akron, says: "The New Deal Democrats still exist, but the trouble is that there are not that many of them."

Those who remain – the ethnic immigrants from the coal mines of West Virginia and Pennsylvania who moved to northern Ohio in the 1930s and 1940s – have also proved notoriously fickle in their support for the Democrats ever since Richard Nixon courted them successfully in 1968.

Just outside Akron, on a hill overlooking the Goodyear Airdock, home of the blimp, lies Quayle Drive, one of several tree-lined neighbourhoods with wooden-frame and brick ranch-style houses. This precinct – like dozens in north east Ohio – votes Democrat in local, state and congressional elections, but has been moving steadily towards the Republicans in presidential races.

Mrs Cynthia Docy, 34, who has just been laid off from her job as a cake decorator, says she is leaning towards Vice-President George Bush. "He seemed more sure of himself in that debate." Her husband, Gary, 38, who lost his job working at Babcock, the boiler manufacturer, is now employed at a Pepsi bottling plant. He is barely making the same wage he did five years ago. But he is a sure vote for Mr Bush. Asked why, he replied: "I'm working."

Sample interviews with these voters suggests that Mr Dukakis, still a stranger compared to the likes of local heroes such as Senator Glenn, will be hard-pressed to carry these precincts with the majorities he needs to offset the rural Republican coalition in more prosperous southern Ohio around Cincinnati, Columbus and surrounding suburbs.

This week, in an effort to turn the spotlight away from crime and other social issues which have hurt Mr Dukakis, the state Democratic Party this week launched a TV advertising campaign stressing the economy. Mr Gerald Austin, the former campaign manager for the Reverend Jesse Jackson, believes the adverts are three weeks late and blames the Dukakis campaign in Boston for indecision. Mr Dan Clark, a top aide to Congressman Ed Feighan of Cleveland, agrees: "More could have been done earlier, but we have now got people to join together and that's the main concern."

Infighting within the powerful state Democratic Party was indeed a hindrance to the Dukakis effort. When the Massachusetts Governor handed over control of the campaign to Governor Richard Celeste's organisation, many rival local officials sat on the sidelines. Mr Dukakis simply did not have the stature to bang heads together.

The failure of organisation – symptomatic of the Dukakis campaign's weaknesses nationwide – offset the fact that the Democrats have raised more than $3m for the Ohio campaign – the first time they have been financially competitive for 16 years, says Dr Green.

The question now facing the Democratic nominee is whether this week's barnstorming through the industrial Mid-West will be enough to mobilise the blue collar workers and the black vote – which he needs to win Ohio. He has a big sales task and he has left it very late.

WORLD TRADE NEWS

Horse-trading over reciprocity with EC

David Buchan looks at how the European single market may affect foreign trade

"YOU DO not start negotiations by giving up your bargaining position in advance," Lord Cockfield, the EC internal market commissioner, said this week. He was explaining why the Commission felt Europe should not give the outside world "automatic and unilateral access" to the benefits of its slowly-forged single market, and why Brussels wants some "reciprocity" from foreign countries.

But many outside, and some inside, the Community argue that the Commission may be taking the EC down a potentially dangerous road of bilateral trade deals that, whatever Brussels' best intentions, could frustrate current multilateral negotiations in the General Agreement on Tariffs and Trade (Gatt).

The initial US reaction, for instance, to this week's trade policy statement by the Commission has been less than positive on the "reciprocity" issue, though welcoming the general Brussels commitment to maintaining free and open trade.

Ms Liliana Archibald, a member of the London-based Lotis (Liberalisation of Trade in Services) Committee, said yesterday the decision not to seek retroactive reciprocity in banks was "a sign of grace", but confusion and concern remained about reciprocity conditions attached to new entrants to the Community.

The controversy over reciprocity centres on its application to those uncharted areas – chiefly services and some sectors of public procurement – where there are no rules yet agreed in Gatt. This week the Commission at last gave some general indication of how it will seek to navigate the good ship Reciprocity through these waters, though it will be up to the EC governments, in the Council of Ministers, to plot the precise path in each case.

Reciprocity is defined as "a guarantee of similar – or at least non-discriminatory – opportunities" for EC enterprises to operate in foreign markets on the same basis as local companies. This appears to answer foreign fears that the EC might demand treatment exactly "mirroring" the freedoms of the proposed EC single market or, for instance in the case of the US, a right to free interstate banking not even accorded to US banks.

The Commission has also decided, in the specific case of banking, only to seek reciprocity on the occasion of "newcomers" into the Community, and not on the extension of single-market banking privileges to non-EC banks already inside the Community – a right that all EC-based banks will acquire if the proposed Second Banking Directive gets Council approval.

While the many foreign banks already in the EC, and international centres like the City of London, may breathe a sigh of relief at this, it still begs further questions. What precisely is a "newcomer"? Might it not also be a non-EC financial institution, long based in the Community but deciding to enter banking? In addition, the Commission has left open the possibility of seeking retroactive reciprocity in areas other than banking.


Lord Cockfield: mandatory reciprocity not wanted

Lord Cockfield said the Commission would not want the Council to make reciprocity mandatory. Essentially, the Commission would be making a political judgment on when and where to demand it.

Mr Willy De Clercq, the external affairs commissioner, made this clear by stressing that not all EC partners would be asked to make the same concessions, nor would the Community insist on concessions from all its partners. Many developing countries would be let off the reciprocity hook; Brussels would decide precisely which ones.

Some of the external implications of the EC single market programme affect trade in goods, covered broadly by existing Gatt rules. They include the need – if and when intra-EC border controls are abolished – to scrap national import quotas on steel, textiles, Japanese cars and many East European goods and to replace them by Community-wide restrictions.

Reciprocal foreign market access may figure in the case of cars (shortly to be debated by the Commission). If the EC were to demand reciprocal access to the Japanese car market, it would have to take its risk under Gatt rules.

Gatt rules cover technical standards, but not, until now, testing and certification procedures. Many EC countries and laboratories have bilateral mutual recognition accords with foreign countries, which in the 1992-style open market could lead to distortions and inequities – for instance, the US getting its products freely into the whole EC through a bilateral deal with, say, West Germany, but not granting such reciprocal entry to products of the other 11 states. So Brussels' aim is to negotiate Community-wide mutual recognition agreements.

Similar bilateral accords exist in transport, telecommunications and information services, sectors not yet covered by Gatt. For example, West Germany has road transport accords with several of its communist and non-communist neighbours, as does Denmark with Scandinavian countries. These should be "progressively" replaced by Community-scale reciprocal accords, says the Commission, which has made a start in negotiations on road traffic with Switzerland, Austria and Yugoslavia and on extending EC air traffic liberalisation in the framework of the European Conference on Civil Aviation.

Brussels wants to take the same approach to similar bilateral deals on telecommunications and information data base services which several EC countries have with the US.

The Commission has already proposed a particular negotiating lever in the four public procurement areas – transport, telecommunications, water and energy – so far, coincidentally, protected from open competition under both EC and Gatt rules. EC public purchasers could ignore bids with less than half their value of EC origin. But foreign countries could get this requirement waived by doing a reciprocal market access deal with the Community.

The real name of reciprocity is horse-trading. And, for all its rhetoric, Brussels' bargaining hand may not be so strong, because of the priority it places on completion of the internal market. It is hard to see the Community holding up internal liberalisation just for lack of reciprocal response from the outside world.

Olivetti wins Soviet deal

By Alan Friedman in Milan

ITALY'S OLIVETTI office automation group has won a L220bn ($163m) contract to help build a factory near Leningrad that will manufacture three-axis numerical controls devices for machine tools.

While Olivetti will supply know-how and equipment, the construction work will be done by Impresit, a plant engineering subsidiary of the Fiat group. Fiat said the business would be worth L90bn.

The Olivetti-Impresit project, which is to be completed within three years, has required special approval from Italian government authorities.

Because of concern about the sale of high-technology devices on the part of some members of the 16-nation Paris-based Coordinating Committee for Multilateral Export Controls (Cocom), Olivetti had to wait more than a year for formal approval of the contract, which came last week.

An Olivetti spokeswoman said last night that the governments of both Washington and Rome had been kept fully informed of details of the deal.

The Olivetti-Impresit order has come from Technopromimport, the Soviet state agency for technology imports. The plant, to be built on the outskirts of Leningrad, will have an annual output of 10,000 numerical control devices, capable of controlling three axes of machine tools. The Olivetti-Impresit is one of several to be announced in the wake of a visit by Prime Minister Ciriaco De Mita to Moscow.

The Ravenna-based Ferruzzi group has signed a deal to cultivate 500,000 hectares of agricultural land in the Ukraine, a project that will take five years and will see the Italian company helping to develop mixed farming, which it says will eventually generate $1.5bn of annual revenues.

The Soviet Union, meanwhile, has proposed plans to Fiat for a big new vehicle plant on the lines of the Togliatti factory on the Volga.

Brussels to lift curbs on Czech goods

THE European Commission has concluded a trade agreement with Czechoslovakia, its second, after Hungary, with an East European nation, AP reports from Brussels.

The accord, which still has to be signed, is aimed at promoting trade in industrial products between the EC and Czechoslovakia. The Commission said that under the terms of the four-year agreement, the EC would make "substantial progress" in eliminating import quotas currently imposed on Czech products.

Some of the curbs would be ended or suspended as soon as the agreement comes into force, it said. The easing of restrictions would cover initially some chemicals and manufactured products.

The Commission said Czechoslovakia planned to take "necessary measures" to promote imports from the EC. These would include giving information to the EC about economic development plans and the import needs of certain industries. The Czech authorities will also try to create "favourable" working conditions for EC exporters.

Japan seeking duties on knitted imports

JAPANESE knitting companies, which have been hit by a flood of imports, will ask the Government today to impose anti-dumping duties on imports from South Korea, their chief competitor, writes Stefan Wagstyl in Tokyo.

The Japan Knitting Industry Association was expected to file a petition at the Ministry of Finance, which would start a formal review which might take until late next year.

Japan would impose duties only with great reluctance, given that it is itself a target of dumping complaints from the US and the European Community. Japanese officials have started investigations only twice before, into cotton and ferro-alloys, and dropped them after talks.

In this case, they have already tried to persuade South Korean companies to impose voluntary curbs on their exports.

China sends first trade delegation to Israel

By Andrew Whitley in Jerusalem

TRADE LINKS between Israel and China, long shrouded in secrecy at Peking's insistence, emerged into a half-light on Wednesday, with the arrival in Tel Aviv of the first commercial delegation from the Chinese mainland.

The seven-man delegation was led by Mr Lo Chin Min, the head of a Brussels-based company called ITC Investing and Trading Company, in which the Chinese Government has a 50 per cent holding. Mr Lo has both Chinese and Belgian nationality, facilitating denials by the Government of direct involvement in trade with a country it has never recognised.

The delegation was said to be primarily interested in Israeli expertise in electronics, computer technology and advanced medical equipment.

Over the past week or so, several other modest steps forward have also been taken in the relationship, following visits to Peking by senior Israeli Foreign Ministry officials.

Mr Avraham Tamir, the Ministry's Director-General, who has also recently visited China, was reported by the Israeli press to have agreed in Peking on the establishment of reciprocal academic centres in both countries. Israeli exports to China are not listed in official trade statistics. But Hong Kong and Singapore, regarded as the two principal entrepots for Israeli goods heading for the mainland, are registered as having purchased items exceeding $300m (£171m) in 1986, probably well above their absorptive capacity.

Much of what Israel has sold in the past is believed to consist of military and agricultural equipment and expertise, but textiles and tourism have also been involved.

British banks offer Soviet Union £1bn trade credit

By Peter Montagnon, World Trade Editor

A GROUP of British banks led by Midland has agreed to offer the Soviet Union a fresh trade credit facility of up to £1bn, Sir Michael Palliser, Midland deputy chairman, said yesterday.

The credit line, which will for the first time include a multi-currency option, is designed to boost UK exports in several key sectors: light industry, farm machinery, foodstuffs and food processing, timber and timber products, tourism and hotels, and airport and aviation development.

It will in effect replace the UK-Soviet trade finance protocol signed early last year, whose terms were widely regarded as too onerous for British exporters.

In what appears to be a big breakthrough, bankers said they believed the Soviet Union was now prepared to consider financing its purchases from the UK in other currencies, including dollars and D-Marks.

This would enable it to achieve low interest rates without British exporters having to subsidise the arrangement through an artificially high contract price.

Though no formal offer has yet been made to the Soviet Union, Mr Konstantin Katushev, Soviet Minister for Foreign Economic Relations, welcomed the credit plan while on three days of talks in London this week.

"We shall take the most energetic steps to ensure implementation in our own country," he told the Anglo-Soviet Joint Commission on trade.

Detailed discussions on terms of the credit are to take place in Moscow next week, but Sir Michael said it would carry market terms and market rates. The deal would carry an Export Credits Guarantee Department guarantee.

Mr Alan Clark, Trade Minister, said the credit offer was made at the initiative of the UK, but it comes as the Soviets are also arranging bilateral credits from other countries, including DM3bn (£943m) from Germany and Ecu680m (£442m) from Italy.

After the Joint Commission talks yesterday, International Automotive Design ratified a £35m consultancy agreement with the Soviet Avtopromimport for the development of a light commercial vehicle in the Soviet Union.

Rank Xerox signed a smaller agreement for a joint venture to provide photocopying services in the Soviet Union which will generate hard currency through the export to Western research institutions of high-quality copies of documents from Soviet archives. According to Mr Clark, further UK export efforts will be needed if the two countries are to meet their objective of a 40 per cent increase in two-way trade by 1990.

However, the structure of the new credit line and the positive Soviet response has raised hopes that it will provide a genuine new incentive to UK/Soviet trade.

UK NEWS

UK Government curbs suspects' right to silence

By Charles Hodgson

THE GOVERNMENT yesterday announced the second in a series of measures designed to combat terrorism in Northern Ireland, introducing curbs on the right of terrorist and other suspects to remain silent under police questioning.

The curbs on the right of silence, announced yesterday by Mr Tom King, Northern Ireland Secretary, in a written parliamentary answer, will allow courts and police to draw adverse conclusions from a suspect's decision to remain silent during questioning.

Mr Douglas Hurd, UK Home Secretary, gave a clear indication that similar limits on suspects' rights would shortly be introduced in England and Wales.

The move was condemned by the Opposition at Westminster and by nationalist politicians in Northern Ireland.

Mr Neil Kinnock, Labour leader, said they were a "serious erosion of a cornerstone of the British judicial system."

A spokesman for the SDLP, mainly Catholic political party in Northern Ireland, described the move as another repressive measure which would only help the IRA.

Mr King said the need for change was based on the "sustained, provoked and deliberate abuse" of the right of silence by terrorist and other suspects.

Members of terrorist organisations were being trained to remain silent under police questioning and this technique was being increasingly taken up by those suspected of other serious crimes, including racketeering, he said.

Mr King stressed suspects could not be convicted on silence alone, but that it could be used as corroborating evidence.

The announcement follows the Government's move on Tuesday to bar the BBC and IBA from broadcasting direct television or radio interviews with representatives of terrorist organisations or their sympathisers.

Broadcasting journalists are likely to stage a day of protest disrupting news bulletins.

The broadcasting curbs were welcomed in the Commons yesterday by Mrs Margaret Thatcher, UK Prime Minister, who also gave a clear indication that further measures to combat terrorism would be introduced shortly.

The new rules on the right of silence, which must be approved by both houses of parliament, set out four circumstances in which a suspect's decision to remain silent might justify adverse inferences being drawn in a court of law.

At present, judges and prosecutors are not permitted to suggest that adverse inferences could be drawn from a suspect who remains silent under police questioning.

The four cases are: if the suspect fails to explain to police his presence at or near the scene of an offence; if he fails to account for forensic evidence linking him to the crime; if he fails to give evidence in court where there is a *prima facie* case against him; or if he remains silent during questioning and fails to mention facts on which he subsequently relies at his trial.

Government accused of abandoning 18,000 investors

Barlow Clowes compensation hope fades

By Clive Wolman

THE PROSPECTS of Government compensation being paid to the 18,000 investors who placed more than £150m with the now-insolvent Barlow Clowes funds slumped yesterday with the publication of the official report into the handling of the affair by the Department of Trade and Industry.

The report, commissioned by the Government from Sir Godfrey Le Quesne in June, shortly after the Berlow Clowes empire collapsed, provides a detailed account and explanation of the actions of DTI officials throughout the period from 1975 to 1988. It makes no overt judgment of their actions, but its tone is generally sympathetic.

However, the report contains several implicit criticisms of Spicer and Pegler and Touche Ross, the Barlow Clowes auditors, and Herbert Smith, its solicitors, on whom the DTI relied heavily. The DTI told Herbert Smith, when granting the licences in 1985, that the decision "has been heavily influenced by the assurances received from or through yourselves." Spicer and Pegler gave all the Barlow Clowes firms a clean bill of health when resigning as auditors in 1987.

In announcing the publication of the report, Lord Young, the Secretary of State, told the House of Lords that the report demonstrated no grounds for considering compensation payments to the investors. The DTI's actions had not caused investors' losses and its general handling of the licensing of Barlow Clowes had been "careful, considered and its actions reasonable".

However, he conceded that Sir Anthony Barraclough, the Parliamentary Commissioner for Administration, or Ombudsman, might reach the opposite conclusion as a result of the investigation into complaints of maladministration which he is now expected to launch. He can recommend the payment of compensation.

The announcement drew immediate accusations from the Opposition that the Government was abandoning investors it had encouraged. Several Tory MPs claimed the Government had a moral obligation to extend help to Barlow Clowes investors.

Lord Young said the liquidators of Barlow Clowes Gilt Managers, the £52m UK fund, expected investors to receive in excess of 75p in the pound, with a substantial distribution likely before Christmas. Investors in Barlow Clowes International, the £100m offshore, Gibraltar-based fund, are likely to receive a much smaller amount, in excess of 30p in the pound. A small, interim payment is expected early next year.

In the House of Commons, Mr Tony Newton, Trade and Industry Minister, confronted protest from opposition and Tory MPs when he said that, although the Government recognised the hardship involved, it had no legal liability.

Mr Newton said that most of the DTI's involvement in the affair had taken place under a legislative framework which contained significant weaknesses and which were not corrected until the Financial Services Act of 1986. He said there was no case for disciplinary action within the Department.

He defended the DTI's decision to renew the Barlow Clowes Gilt Managers licence in 1987, pending the outcome of an investigation into its activities. The refusal of a licence, he added, would have stopped the company from taking on new business but investors' assets could not have been secured and a "disorderly collapse" could have followed.

Mr Tony Blair, Labour's trade spokesman, accused ministers of giving a "shamefully partisan, self-serving interpretation" of the facts. Calling for the setting-up of a life-boat scheme, he said investors had expected some sense of finality to emerge on publication of the report. Instead, they were being "shunted from one investigator to another in a game of ministerial pass the parcel".

Sir Peter Hordern, a Tory member of the Commons public accounts committee, asked if ministers believed they had no moral responsibility for the losses incurred by those who invested in Barlow Clowes after the 1987 licence renewal.

Mr John Dyer, chairman of the Barlow Clowes Investors' Group, said at a meeting later that he was satisfied the report was not "a whitewash".

Mr Antony Gold of Manchester solicitors Alexander Tatham, which acts for a large number of investors, said the report "confirms beyond doubt suspicions... that the DTI has been negligent on a number of counts". In particular he criticised the Department's decision to grant Barlow Clowes a licence in 1985, even though it had serious doubts about the firm. But no legal action will be started until the Ombudsman has had a chance to review the case, he said.

The key issue in the report is the extent to which the DTI can be held responsible for the collapse of the international fund, where more than 90 per cent of the total losses are likely to be suffered. The report suggests that Barlow Clowes repeatedly deceived the DTI and investors by suggesting that the fund was directed at expatriates rather than UK residents.

The DTI also failed to discover, despite several interviews with Mr Clowes, how much money was pouring into the offshore operation nor did it seek to verify whether the money was really being in invested in gilt-edged securities.

Editorial Comment, Page 24

Offshore investors face loss of more than £50m

BY FAR the most serious losses in the Barlow Clowes affair have been those suffered by investors in Barlow Clowes International, the offshore operation that moved from Jersey to Geneva to Gibraltar. More than £100m of investors' money was attracted into the fund and about half the money, including accrued interest, is likely to be irrecoverable.

Whether BCI required a licence from the Department of Trade and Industry depended on whether it was dealing in securities in the UK. BCI never applied for a licence nor did the DTI suggest it should do so. However, BCI wrote to one correspondent in November 1987 claiming that it was a licensed securities dealer.

The DTI first came to hear of the offshore operation in December 1984 at a meeting with Mr Clowes.

His plans for setting up the Gibraltar operation were first heard of by the DTI in July 1986 when the Banking Superviser in Gibraltar telephoned an official and told him that BCI was advertising for staff. He asked whether the DTI had "anything against" Barlow Clowes. The official replied that the DTI had no cause for concern.

At a meeting in July 1986, Mr Clowes gave more details about the reasons for his expansion in Gibraltar and Geneva. He said the Geneva operation was to deal in investments for expatriates.

In November 1986, the Deputy Head of the Banking Supervision Division of the Bank of England wrote to the DTI: "We understand that Barlow Clowes are now very well established and active in Gibraltar and are installing significant computer capacity. It occurs to me that they may be conducting much of their business over there rather than in the UK, even where the clients are resident here; though whether this would be to escape your regulatory controls or whether it might be associated with tax advantages, I do not know."

The DTI official replied: "I have no concrete reason to worry about Barlow Clowes' offshore expansion, although one naturally tends to look askance at businesses controlled from Gibraltar and harbour unworthy thoughts about the real motives in moving there."

Soviet van deal terms break with tradition

By Peter Montagnon, World Trade Editor

A NEW UK-Soviet van project in Azerbaijan, formally announced yesterday by Moscow Narodny Bank, involves novel financing arrangements which will make Western bank lenders directly dependant on its commercial success for repayment of more than £100m in hard currency finance.

The announcement followed three days of discussions between Mr Alan Clark, UK Trade Minister, and Mr Konstantin Katushev, Soviet Minister for Foreign Economic Relations, during which a consortium of banks led by Midland also said it was prepared to offer the Soviet Union up to £1bn in fresh trade finance.

Moscow Narodny, the London-based Soviet bank, said International Automotive Design of Worthing, on England's south coast, had been appointed as consultants to help develop a new light commercial vehicle which will be produced in the Soviet Union to standards that will permit it to be exported to the West.

In a break with tradition, there will be no official Soviet guarantee on commercial loans raised to finance the project. Instead, payment of interest and principal will be directly linked to hard currency revenues from exports.

Such financing, which is known technically as "non-recourse" lending, has been widely used in the West, for example, for development of North Sea oil projects. But it is still a novelty for Soviet industrial ventures.

Bankers said the arrangement underlined the new Soviet determination to make its industry self-reliant and responsive to actual market conditions.

It also introduces a new element of commercial risk into Soviet trade finance because, for the first time, bankers have to worry about whether the project is viable.

Financing for the deal is being arranged by Moscow Narodny and the Bank of Scotland group in two separate portions: a commercial loan of more than £100m which will bear interest at market rates and a flexible maturity synchronised with revenue flows from the project, and a £100m Export Credits Guarantee Department-backed credit line which could be increased to £170m.

This will bear standard export credit conditions under Organisation for Economic Co-operation and Development rules, which set a maximum maturity of 8½ years. The commercial portion is expected to be repaid in 10 or 11 years.

The ECGD declined to comment on its involvement in the deal yesterday, but it, too, is understood to have departed from its normal procedures by accepting that repayment of its portion of the finance would be partially dependant on the commercial success of the venture.

Because of the extra risk they are taking, lenders are expected to require special commitments from their Soviet partners concerning the quality and quantity of the vehicles produced at the plant.

Rover agrees £540m deal with Avis

By John Griffiths

AUSTIN Rover, UK car group, is to supply Avis, international vehicle rentals company, with 60,000 cars during the next three years in a deal worth £540m at showroom prices.

The contract is believed to be the largest ever signed between a car rental company and a vehicle supplier in Europe.

The deal, signed at the International Motor Show in Birmingham yesterday, was described as "absolutely fantastic" by Mr Les Wharton, chairman of Austin Rover. The group, formerly state-owned, was sold recently to British Aerospace.

Avis, which claims to be the largest car rental company in Europe, is to receive a mixture of Metros, Maestros, Montegos and Rover 200 and 800 models. The order will account for nearly 4 per cent of Austin Rover's annual car output.

Last year Rover produced just over 450,000 cars.

Mr Wharton said: "This is a big boost, and staff at Austin Rover should be very pleased that their hard work has made the company acceptable in the marketplace. We are on the up."

Avis had no Austin Rover cars as recently as three years ago. By this year, however, the company had become the principal supplier to the rentals group in the UK.

Mr Keith Dyer, Avis UK's managing director, said: "Our experience of moving towards Austin Rover has been a good one from the viewpoint of both customer acceptance and reliability."

Meanwhile, Group Lotus – owned by General Motors, US car manufacturers – announced at the show it is to double production next year on the back of sharply increasing sales.

Hundreds of new jobs could be created at the Lotus car factory in Norfolk, east England, to cope with the increased production.

Mr Ian Adcock, company spokesman, said: "As yet we have no definite figures to say how many jobs will be made available, but it is fair to say they will be in the hundreds."

Mr Michael Kimberley, Lotus chief executive, said sales were up 98 per cent in the US at 257 in the first nine months of this year, up 22 per cent to 465 in the UK and rest-of-the-world sales were up 23 per cent at 159.

Newspaper readers favour laws to curb intrusive reporting

By Raymond Snoddy

NEARLY SEVEN out of 10 national newspaper readers are in favour of the introduction of legislation to prevent intrusive reporting on people's private lives, according to a new opinion poll.

Only 20 per cent were opposed to such legislation with 11 per cent undecided, a poll of 1,001 readers conduct by Gallup found.

As many as 59 per cent of readers believe mass market tabloids such as The Sun, Daily Star and Daily Mirror are untruthful. Forty four per cent of the readers of such mass circulation tabloids said they believed they were untruthful.

The poll on attitudes of national newspaper readers was conducted on behalf of Mr Eddie Shah's new national daily The Post which is due to be launched on November 10.

More than 80 per cent of readers thought that some newspapers went too far with pictures of topless girls, sensationalism and fabrication of stories.

Mr William Cash, the Conservative MP who has introduced a private members bill on the subject of intrusive journalism, said he would prefer the matter to be dealt with by the newspapers themselves.

UK NEWS

H&W gets rude awakening from its ultimate dream

Kieran Cooke reports on disappointed hopes following the collapse of talks to save a Belfast shipyard

Samson and Goliath, two giant gantry cranes at Harland & Wolff (H&W) shipyard in Belfast, dominate the east of the city. They are proud symbols of Northern Ireland's industrial heritage, but many workers at the yard fear the cranes will soon become museum pieces.

Mr Tom King, Northern Ireland Secretary, announced earlier this week that talks with Mr Ravi Tikoo to build the Ultimate Dream luxury liner in Belfast had ended without agreement.

Many of the 3,800 workers at H&W feel that the last hope for the yard has gone. In the pubs of East Belfast, the talk is now about redundancy payments and just how long a job will be available.

There is considerable bitterness towards the Government, directed particularly at the Northern Ireland Office.

Mr Joe Bowers, vice-president of the Confederation of Shipbuilding and Engineering Unions, accuses the Government of deliberately destroying the opportunity to build the Ultimate Dream to satisfy what he called narrow, dogmatic objectives of privatisation.

He said: "The Northern Ireland Office has shown malicious intent towards Harland & Wolff."

Mr Pat McCartan, head of an all-Northern Ireland union body fighting Government plans to privatise H&W, Shorts, the aerospace company which is also located in East Belfast, and Northern Ireland Electricity, says H&W will now, even in the most optimistic assessment, lose the ability to produce complete, high-tech ships.

Mr McCartan said: "Harland & Wolff will end up cutting and bending steel, which any Third World country can do."

Politicians rarely agree in Northern Ireland. But most have voiced strong opposition to privatisation and any further scaling down of H&W operations.

Already this year, the yard has instituted a redundancy programme cutting the number of its workers down from 3,800 to 3,250. Any more large-scale reductions in the workforce will have considerable impact, not only on mainly-Protestant east Belfast, but on the whole Northern Ireland economy.

Even with its smaller workforce – in the war years, the yard employed 35,000 workers and in 1960 there were 20,000 at the yard – H&W accounts for nearly 5 per cent of the total manufacturing workforce in the province. In relation to population, that is equivalent to an enterprise with about 100,000 workers in England.

The activities of H&W also have a knock-on effect on the local and national economy. Mr John Parker, H&W's chairman, said: "We have to think in terms of the 680 local businesses we do business with and some 1,200 UK suppliers."

Mr Peter Robinson, deputy leader of the Democratic Unionist Party and Member of Parliament for East Belfast, says that in purely financial terms, it makes more sense to keep H&W jobs than to put people on unemployment benefits. He warns of the serious economic and social consequences of any more reductions in employment at H&W.

"There are clear signs that, as part of the its political withdrawal, the Government is also disinvesting in Northern Ireland," he says.

Two ships are being built at H&W. Both are highly sophisticated vessels, one an advanced oil exploration ship which will shortly be handed over to British Petroleum. The other is an auxiliary ship for the Ministry of Defence, due for delivery in 1990.

Workers at H&W are justifiably proud of the skills which enable the yard to produce what are considered to be among the world's most advanced vessels. Mr Parker says the yard made the decision some time ago to move out of traditional activities. "If we had stuck to traditional low technology shipbuilding, this yard would have closed," Mr Parker said in March.

Workers now feel the Government is intent on turning the clock back, making H&W into yet another bulk shipping, low technology enterprise.

The overwhelming feeling amongst the workforce is sadness. H&W is one of the world's oldest shipyards, in operation since 1861.

It led the world in shipbuilding earlier this century. The words "Belfast built" were synonymous with the best in ship construction.

Management say they will fight on and will continue to scour the world for orders. They predict an upturn in shipping and insist that H&W can play a vital role.

Mr Parker has always been a staunch defender of his workforce and is deeply irritated by accusations that H&W cannot compete around the world. "The people who make these statements have no concern for those knocking their pan (doing their best) in here," he says Mr Parker.

But with the end of negotiations between the Government and Mr Tikoo for the Ultimate Dream, workers feel there is little hope left.

Harland's cranes, proud symbols of Northern Ireland's industrial heritage, dominate the skyline of Belfast

UK NEWS

Users log trials of a computer age

Alan Cane reports on difficulties faced by the financial industry

COMPUTER technology now permeates every aspect of the finance industry and financial institutions around the world face common problems in seeking to exploit its potential.

Delegates to a Financial Times conference which opened in London yesterday heard that these problems include the difficulty of finding common ground between financial and technological experts, the question of control and regulation of payments systems and the complexity of mixing equipment from different computer manufacturers.

Opening the first day of the two-day conference, "Electronic Financial Services in the 1990s", Mr Jacques de Keyser, general manager of the Generale Bank, Brussels, made it clear that banks were still looking to technology to cut costs.

Fund transfers still absorbed up to 40 per cent of banks's general expenditure, he said. "The quest to cut costs, open new market outlets and find new sources of income is becoming keener than ever."

He argued that the trend towards a single multi-function plastic bank card would force closer co-operation between the banks and credit card companies, a theme reinforced by Mr R.B.J. van Eldik of Rabobank Nederland, president of the European Council for Payment Systems (ECPS).

Mr van Eldik warned chaos would result if cards from a variety of sources, many controlled neither by government authorities nor central banks, continued to be offered.

He welcomed the 12-months-old ECPS "European Accord" aimed at the co-operative use of networks, reciprocal use of automatic teller machines and use of all cards through a single retailer terminal.

The European Commission, he said, regarded an international approach to electronic payments as a condition for the realisation of the single European market in 1992.

Mr Clive Newton, undersecretary in the consumer affairs division at the Department of Trade and Industry, agreed there were substantial pressures for new regulations on payment systems.

He argued for caution, however: "Legislation is neither the only way of dealing with the issues nor is it necessarily the best way. There is the major risk that it will inhibit development in a field of fast technological progress."

Mr Sinhad Coleridge, deputy director in the corporate division of Barclays Bank, said the biggest problem was ensuring the systems banks which were created met their business requirements.

It was natural, he said, for business managers' eyes to glaze over when asked to participate in defining systems requirements, but their active participation was essential.

The only answer, he sometimes felt, was to lock managers and technologists in a room together and refuse to let them out until they had thrashed out a sensible system.

Mr Peter Duerden, managing director of Royal Insurance (UK) agreed. "All businessmen have to recognise the capabilities of technology," he said. "And all technologists have to recognise the needs of business."

The conference heard that UK savings institutions known as building societies had already used information technology to seize competitive advantage from the banks and were investing heavily to repeat the performance.

Mr Michael Tuke, deputy chief executive of the Woolwich Equitable Building Society, said it was concentrating on a "customer-orientated" system to help cross-selling, allow more flexible communications and more open branches.

He thought the development of knowledge-based systems using artificial intelligence would be of major strategic importance in the future.

Mr Philip Court, chief executive of Birmingham Midshires Building Society, said new technology could spell the end of regional societies' traditional niche markets.

They would either have to become national players or enter partnerships with other institutions. Otherwise, they would have to develop their own products and cross-sell them to their existing customers.

He said Birmingham Midshires, currently the 13th largest UK building society, was committed to developing a national presence.

The complexity of bringing together computing equipment from a variety of manufacturers was emphasised by Mr Giovanni Frassi, managing director of IN Holdings, part of the worldwide Benetton group.

To provide a sound foundation for the company's future ventures, including the possibility of an in-house credit card, a computer network linking members of the group had been constructed.

Mr Patrick Mill, UK sales and marketing director for NCR, leading computer supplier to the financial services industry, said standards for the inter-connection of computer equipment used to be set by manufacturers but were now being driven by users. They were the power behind the drive to more complete standards and must make their voice heard.

Fight over look-alike lemons goes to appeal

JIF, the humble plastic squeezy lemon beloved of British shoppers for the past 30 years, is to come under full legal scrutiny by the House of Lords.

A committee of three Law Lords chaired by Lord Bridge has agreed to the Lords hearing an appeal which will decide whether a look-alike American lemon should be allowed onto the shelves of UK supermarkets.

Norwich-based Reckitt and Colman, whose Jif lemon has had the market almost to itself since its introduction in 1957, has so far won the first two rounds of a massive legal battle, expected to cost more than £1m, to keep out the rival lemon planned by Borden, the US food group.

Borden has been given leave to challenge the decisions made by a High Court judge and three Court of Appeal judges. The appeal is unlikely to be heard before early next year.

Mr Geoffrey Hobbs, counsel for Borden, told the Law Lords that it was an "unprecedented case" which raised important questions of law.

The courts had ruled that any distinguishing labels Borden might put on its lemon must be left out of account because evidence had shown that shoppers simply ignored them and assumed any plastic lemon was a Jif.

This could not be right in modern trading conditions, said Mr Hobbs. The law must take a firm line and rule that there could be no monopoly on plastic lemons.

Many others who wanted to use lemon-shaped containers had been met with a "wave" of lawsuits by Reckitt and Colman to prevent them doing so.

Mr Peter Prescott, for Reckitt and Colman, said they had never claimed to have a monopoly on selling their lemon juice in plastic lemons, but after 30 years and two generations the Jif lemon had become a "symbol" to British housewives.

Borden had not made strenuous enough efforts to distinguish its lemon from Jif. "There were many things Borden could have done," Mr Prescott said. "For instance, they could have adopted the shape they use in the US, which is so grotesque it looks more like a hand grenade."

Wales 'best producer of car components'

WALES IS now the most efficient part of the UK for the production of motor components, according to a report by Prof. Garrel Rhys of Cardiff Business School.

It shows that gross added value in component plants in the principality is 17 per cent higher than the UK average and nine percentage points above the North of England, the next most efficient region.

Rolls-Royce in aircraft venture with US groups

By Michael Donne, Aerospace Correspondent

ROLLS-ROYCE, UK aero-engine builder, is to join a new international consortium to develop a small, jet-powered six- to eight-seat business aircraft.

The other partners in the venture are three US companies, Gulfstream Aerospace, which builds the Gulfstream IV airliner powered by Rolls-Royce Tay engines, Swearingen Engineering and Technology, and Williams International.

Rolls-Royce will provide technical and marketing support for the Williams International company's programme to develop a small jet engine, the FJ-44 of 1,800lb thrust, for the new aircraft.

Called the SA-30, the aircraft will sell for about $2m. It will cruise at more than 500mph and be aimed at a market expected to amount to more than 1,000 aircraft by the end of the century, according to Mr Allen Paulson, chief executive of Gulfstream Aerospace.

Williams International is already working on the engine, supported by Rolls-Royce, while Swearingen will be responsible for the design and development of the airframe.

The aim is to have the new aircraft and engine certified by the US Federal Aviation Administration in 1991.

Growth in demand fuels money supply increase

By Simon Holberton, Economics Staff

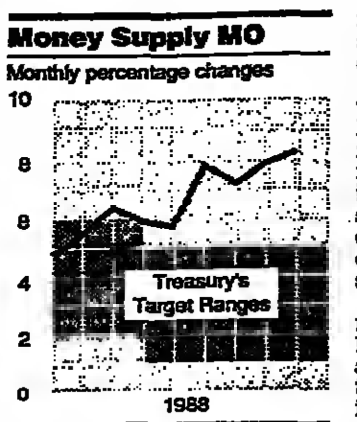
THE CONTINUED buoyancy of demand and credit growth was yesterday underlined by Bank of England figures for September which showed an apparent acceleration in the Government's key monetary indicators.

The figures, which were more than usually ambiguous about the extent of the acceleration in money supply, included statistics for lending that appeared to support the view that consumers have scaled down their borrowing, but companies have increased theirs.

The Bank's provisional money supply figures for September showed that M0, the narrow measure of the monetary base, which includes mainly notes and coins in circulation, grew at an annual rate of 8.1 per cent against 7.8 per cent in August.

Bank and building society lending grew by a seasonally adjusted £7.7bn compared with £5.9bn in August and an average of £7.3bn over the past six months.

Separate figures produced by the clearing banks suggested that there were signs that the growth in lending for house purchase had moderated, although other forms of personal borrowing remained buoyant. Companies increased their borrowings, with most of



the rise accounted for by increased lending to property companies and service industries. Lending to manufacturing industry grew little.

The Treasury said the money supply figures should be treated "exceptionally carefully," because of the distortions caused by the postal strike. It said that up to half of the seasonally adjusted rise in M0 of 1½ per cent from August to September may have been due to the strike, which led the Post Office to hold more cash than it would have done.

Both the Bank and the Treasury said the underlying rate of growth of M0 was probably not much different from the 7.8 per cent annual growth rate for August, although neither suggested there was any evidence of a slowdown.

Last night in his speech at the Mansion House, Mr Nigel Lawson, the Chancellor, reaffirmed his belief that interest rates will "do the job" in slowing the economy. The personal sector was a net payer of interest for the first time and interest rates would be effective, he said.

M0 is the Treasury's key monetary indicator and in his March Budget, Mr Lawson set a target range for growth of 1 to 5 per cent. More disturbingly, the annualised six-monthly growth rate of M0, which is closely watched in the Treasury, was 12.4 per cent against 10.9 per cent in August – suggesting that the rate of growth of M0 should continue to rise in the short term.

● No clear picture emerges from the latest cyclical indicators for the UK economy published yesterday by the Central Statistical Office, writes Ralph Atkins.

The longer leading index, designed to indicate turning points in activity about a year in advance, fell between August and September, continuing a decline started in the middle of last year.

The shorter leading index, showing turning points six months ahead, rose in August.

Retailers accuse Barclays on debit card

By David Barchard

TWO retailers' associations yesterday announced that they had complained to the Monopolies and Mergers Commission and the Office of Fair Trading about attempts by Barclays Bank to force small retailers to accept its Connect debit card.

More than 160,000 retailers now accept the Connect card, which was launched in June 1987 amid a row over the transaction charge paid by retailers for making use of the card.

Barclays said yesterday that only seven retailers were now holding out against it.

They have been given one month by Barclays to accept use of the card or have their Visa credit card facilities withdrawn.

The British Retailers Association and the Retail Consortium, bodies that represent high street stores in negotiations with the banks, said yesterday that they would be seeking immediate action on the matter from the Office of Fair Trading.

Mr Bob Woodman, of the Retail Consortium, said yesterday: "Merchants should have the right to decide for themselves in a free market environment whether to accept or reject the terms on offer for a debit card without the penalty of losing the services of their credit card agreement.

"We are taking this case to the Monopolies and Mergers Commission, which is currently investigating credit cards as an example of the pressure a monopoly can exert."

● Five oil companies – BP, Esso, Mobil, Petrofina, and Texaco – have joined Switch, the electronic debit card scheme announced last April by National Westminster, Midland, and the Royal Bank of Scotland.

The transactions will be processed by NatWest.

The move means that cardholders will be able to make use of Switch cards in electronic terminals to buy petrol at service stations displaying its logo.

The five are the first companies to be associated with NatWest in the Switch card scheme.

BT plans joint bid for licence

By Terry Dodsworth, Industrial Editor

TWO INTERNATIONAL telephone companies have joined a consortium led by British Telecom to bid for one of the operating licences for the UK's proposed cordless telecommunications network.

Although one of the partners is as yet unnamed, BT said yesterday that it would be a "major European organisation." The other is Nynex of New York, the US telephone operating company which covers the New York-Boston seaboard – a densely populated region with a large market for mobile communications.

A further stake in the consortium will be held by STC, the UK telecommunications equipment manufacturing group. STC has been working with BT for the last 18 months on the cordless technology.

The new cordless service, known generally as telepoint, is an unproven concept as yet. It is often regarded as a cheap alternative to cellular mobile telephone systems. It will allow users to connect with the public telephone network via a radio linkage between their telephone handset and receiver stations, which will be located in a large number of public sites.

BT would not give a precise breakdown of the different holdings in the organisation yesterday. However, Mr David Dey, managing director of the communications systems division, said he expected that the company would own a little over half the shares. If the consortium wins a licence, it expects to spend £25m to establish the network in the first two years.

Up to now, none of the published bids for one of the four potential licences to be granted by the Government has included a large foreign telephone operating company. However, Mr Dey said he believed the eventual success of telepoint services would be largely dependent on the ability to sell the idea abroad.

UK companies have largely pioneered the work on the telepoint concept. Several of them have been in discussions with European groups, mainly on the manufacturing side of the business. BT's deal with Nynex, however, opens up the prospect of developing a substantial market in the US, although regulatory issues will have to be resolved before a service could be started.

Ban on Press intrusion backed

By Raymond Snoddy

NEARLY seven out of 10 national newspaper readers are in favour of legislation to prevent intrusive reporting on people's private lives, according to a new opinion poll.

Only 20 per cent were opposed to such legislation with 11 per cent undecided, a poll of 1,001 readers conducted by Gallup found.

As many as 59 per cent of readers believe mass market tabloids – including The Sun, Daily Star and Daily Mirror – are untruthful.

Forty-four per cent of the readers of such mass circulation tabloids said they believed they were untruthful.

The poll on attitudes of national newspaper readers was conducted on behalf of Mr Eddie Shah's new national daily The Post, which is due to be launched on November 10.

Mr Lloyd Turner, editor of The Post and former editor of The Star, said yesterday: "The public are tired of slapdash journalistic practices.

"The Post will be offering an alternative for those who enjoy the fun of a popular without the language of violence, gratuitous soft porn and sensationalism."

More than 80 per cent of readers thought that some newspapers went too far with pictures of topless women, sensationalism and fabrication of stories.

Mr Bill Cash, the Stafford MP who has introduced a private member's bill on the subject of intrusive journalism, welcomed the Gallup poll finding.

Mr Cash said he would prefer the matter to be dealt with by the newspapers themselves.

"However, if anything the position has got progressively worse," said Mr Cash.

He said he hoped his bill would receive a high priority in the listing in December in the ballot for private members' bills.

Avis signs £540m car contract

By John Griffiths

AUSTIN ROVER is to supply vehicle rentals group Avis with 60,000 cars over the next three years in a deal worth £540m at showroom prices. The contract is believed to be by far the largest ever signed between a car rental company and a vehicle supplier in Europe.

The deal, signed at the International Motor Show in Birmingham yesterday, was described as "absolutely fantastic" by Mr Les Wharton, chairman of Austin Rover, which is now owned by British Aerospace.

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Radical TV proposals agreed by Thatcher

By Raymond Snoddy

MRS THATCHER, the Prime Minister, yesterday gave the go-ahead for a range of radical proposals designed to deregulate the commercial television industry.

The Cabinet Committee looking into the future of British broadcasting finally approved a package of proposals that include the creation of a fifth national television channel, the awarding of future ITV franchises by competitive tender and the abolition of the Independent Broadcasting Authority and its replacement by a new commercial television authority.

The measures will go to the full Cabinet next Thursday and the long-awaited white paper is expected to be published in mid-November.

Amid fears that deregulation may reduce the quality of Britain's commercial television channels, Channel 4 appears to have won a significant victory.

A wide range of options for the future of the channel will be put forward for debate in the white paper and, significantly, a modified version of the status quo has not in the end been excluded.

That option will suggest that the ITV companies will, as at present, fund Channel 4 although there will be a separate organisation to sell Channel 4's air time. At the moment the ITV companies sell both their own and Channel 4's air time – a practice which has led to accusations by advertisers of a lack of competition.

Other options will suggest that the channel, a wholly owned subsidiary of the IBA, should be "privatised."

One of the outstanding issues discussed at yesterday's Cabinet Committee was the future relationship of Independent Television News to future franchise holders. Early drafts of the white paper said there should be no obligation on the holders of ITV franchises to take their news service from ITN.

That is still the position but it will be emphasised that ITV franchise holders will have to take their news service from an organisation that offers a fully national quality news service – a stipulation that should give ITN a head start.

Institutions invest more abroad

By Ralph Atkins, Economics Staff

FINANCIAL INSTITUTIONS such as pension and insurance funds returned to investing in overseas company shares earlier this year, according to Bank of England figures released yesterday.

After a big outflow in the last three months of 1987 which continued into the beginning of 1988, there was a large investment in the three months to June.

There was also an increase in investment in UK company shares. In the three months to June, inflows into this category of investment totalled £3.0bn, compared with just £1.2bn in the previous three months.

The figures show the source and use of funds by financial institutions outside the monetary sector. That includes building societies and unit trusts as well as pension and insurance funds.

Together such institutions accounted for an outflow of £5.5bn from ordinary shares in overseas companies in the three months to December last year, immediately after the world stock market crash.

In the first three months of this year, a further £642m flowed out. However, that was partly reversed by an inflow of £582m in the three months to June.

The figures highlight the buoyancy of building society deposits in the period after the crash. There was an inflow of almost £6bn in the three months to June – slightly higher than in the two previous quarters but much higher than the corresponding period a year before.

However, inflows into unit trusts remained subdued. At £344m, the inflow during the three months to June was scarcely higher than in the previous three months and far short of the £2.9bn that flowed into unit trusts in the three months to September 1987.

The figures for the three months to June, show a big increase in capital issues by the financial institutions covered. That might reflect the relatively low level of interest rates at that time.

Funds used for loans and mortgages for house purchases were also buoyant, totalling £7.9bn, compared with £6.3bn in the previous three months.

BANKERS AT THE MANSION HOUSE

Growth will slow as the economy catches its breath

What follows is a slightly edited version of a speech by Mr Nigel Lawson, Chancellor of the Exchequer, delivered last night at the Mansion House.

LAST YEAR, for only the second occasion since our Queen ascended the throne, this country secured a Budget surplus. This year, that surplus will be even larger. And I intend to see that there is a substantial surplus next year, too. . .

When we last dined here, a year ago, it was in the aftermath of the worldwide stock market crash that has come to be known as Black Monday. An event which, among other things, was a perhaps uncomfortably vivid reminder of the extent to which we now live in a global market place.

Although we now take it for granted that the financial sector is one of the most international of all, this was not really the case for most of the post-war period. Governments throughout the world were rightly determined to avoid the damage done by protectionism in the 1930s, and committed themselves to free trade and open markets. But, at the same time, far-reaching controls on the movement of capital became accepted, for the most part, as a fact of life.

Over the past few years all that has changed: we now have a degree of freedom that has not existed since before the First World War. And the development of information technology has completed the task of making the global financial market place a reality.

Finance ministers and central bank governors today have to come to terms with a world in which the amount of mobile capital is far larger than it has ever been before.

This has a number of advantages. Savers have a wider range of opportunities, and borrowers have access to a much larger pool of funds. There is now no reason why investment should be financed exclusively from domestic sources.

Net capital flows between countries are inevitable and desirable, and may last for some years in the same direction, with current-account imbalances as the inevitable counterpart.

But, by the same token, the scale of capital flows – and the fact that domestic savers no less than foreign lenders can move their money to other countries – imposes a discipline on policy, irrespective of the state of the current-account balance.

Monetary policy has had to adapt, since the expansion in global capital flows has increased the potential for exchange-rate volatility, as we have seen with the dollar. As a result, all the major countries have now recognised the need to pursue policies that will promote a reasonable degree of exchange rate stability. And for over three years, now, there has been international co-operation to that end.

But the discipline imposed by mobile capital extends beyond the exchange rate. To attract the savings needed to finance investment, whether those savings originate at home or abroad, countries need to maintain an overall policy stance that commands the confidence of investors.

That clearly means a sound fiscal and monetary policy and a firm stand against inflation. But it also means regulatory and tax policies that make for business success. . .

So the globalisation of markets has implications going well beyond the operation of the markets themselves. It affects the whole conduct of economic policy, macro-economic and microeconomic alike.

Europe

That conclusion has profound implications for our approach to the completion of the single European market.

I have spoken before about the two routes which Europe could adopt: either, on the one hand, liberalisation and deregulation to the greatest extent practicable, with markets open to the world; or, on the other, an inward-looking bureaucratic imposition of harmoniaad da-regulation based on some average of the existing practices, good and bad alike, of the various member states.

It is vital, not just for this country but for Europe as a whole, that the first approach is adopted. For the Community cannot insulate itself from the global market. . . There is abundant evidence of the benefits of free trade – indeed, that is the reason for completing the single market in the first place. But these benefits will be put at risk if Europe fails to respond to the challenges offered by the wider world market.

So I welcome the statement from the European Commission yesterday that "1992 Europe will not be a fortress Europe but a partnership Europe," committed to seeking a greater liberalisation of international trade. It is imperative that this commitment to an open EC market is put into practice.

In financial services, more than almost any other sector, all countries would stand to lose if the European Community were to try to erect a wall between itself and the rest of the world. Before long, the business would simply go elsewhere.

I take very seriously the widespread concern in the City – which yesterday's statements from Brussels may not have completely allayed – about the commission's proposals to make access to the European financial market conditional on some form of reciprocity.

The right approach is the one adopted in the recently approved capital liberalisation directive. Those community countries which had not already done so agreed not just to abolish remaining restrictions on capital movements between member states, but to seek to achieve the same degree of liberalisation *erga omnes* - that is, with the rest of the world as well. And they did so, frankly, because no other approach makes sense in today's global markets.

Monetary Union

There are some who claim that the single market can operate successfully only if Europe moves to monetary union, by which they mean a common currency. This is manifest nonsense: a view held only by politicians who know little about economics and promoted by economists who are oblivious to the realities of politics.

The current talk about all this is not new. It has surfaced before, at the time of the Werner Report some 18 years ago. If I may quote what I wrote in The Sunday Times at the time, November 1970: "A national currency lies at the very heart of national sovereignty. A common currency is something that can only properly follow political union: it cannot precede it.

"It is significant that whereas the *Zollverein* or customs union paved the way to the German federation a century ago, it was only after Prussia and Bismarck had achieved a political union, with blood and iron, that a common German currency could be born."

And so far as the European Community is concerned that political union is not on the agenda.

Funding

To return to the home front, I mentioned at the start how we have progressed from public-sector borrowing to the net repayment of public-sector debt.

But this does not affect our overall funding policy which remains the same as it has been in recent years: a full fund, which neutralises the impact of the public sector on the monetary system and does neither less nor more than that. I said a full fund, but now that we are repaying debt, I should perhaps now say a full unfund over the year as a whole.

That means, in oor new circumstances, that the Bank of England is now required to purchase gilts rather than to sell them. It does not necessarily mean that the required unfunding will be fully completed within the course of the financial year, as I explained in rather different circumstances on this occasion last year. But it does mean, among other things, that there will be no more gilt auctions for the foreseeable future.

The strength of the public finances provides an important buttress to monetary policy in the fight against inflation.

When I spoke here last year . . . I said that this country was well placed to cope with the repercussions of the crash, and that the improved performance of recent years would not be blown away by a financial blizzard.

. . . In the event, the economy has forged ahead.

As far as monetary policy is concerned, the ride has not always been a smooth one. At times interest rates have had to come down, first in response to the crash itself, and later when upward pressure on the exchange rate became intense.

More recently interest rates have had to go up, as evidence emerged that monetary conditions were too loose and the strength of domestic demand became increasingly apparent. But the point is that the necessary action has been taken . . .

The tightening of monetary policy in the summer has already had an impact on the housing market, with price rises slowing and new mortgage commitments sharply down. This is particularly important, given the central role that the housing market has played in the sharp decline in the savings ratio in this country.

Inevitably, however, it will take some time before the full effects come through. But although I cannot share the almost magical properties assigned to interest rate changes by those who profess to see enormous consequences in the reduction of base rates to 7½ per cent for all of two weeks, interest rates will do the job which, of course, is why every other major nation relies on them in the conduct of policy.

And in Britain today, with the household sector a substantial net payer of interest for the first time ever, interest rates can be expected to be more effective than at anytime in the past.

As a result, inflation is likely to peak during the course of next year.

The Economy

After several years of strong growth at a little over 3 per cent a year we have now had two years – 1987 and 1988 – in which growth has been rather faster. Following that spurt, it is now likely that we will see a year or two of slower growth as the economy catches its breath.

But that is no cause for alarm. The underlying supply performance of the economy has improved dramatically as a result of the policies we have pursued – inclnding deregulation, competition, and improved incentives – and it will be possible to combine the necessary slowing down with what is, by historical standards, a perfectly respectable growth rate.

I can assure you, my Lord Mayor, that the Government will continue to do all in its power to ensure that the years ahead are years of prosperity, not just for the public purse, but for the whole nation.

Robin Leigh-Pemberton (left) and Nigel Lawson

Warning on high pay settlements

By David Lascelles, Banking Editor

THE CURRENT high level of pay demands in the UK might undermine the Government's anti-inflation efforts and cause interest rates to stay high for a longer period, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, warned last night.

Pay settlements have been edging up in the autumn pay round, he said, and there was a danger that wage negotiators would be unduly influenced by temporary elements in the retail price index.

The tightening of the monetary policy had already produced some effects. There was evidence of a slowing of transactions in the housing market, mortgage commitments had fallen off, and if that persisted, retail sales, which fell back in September, would slow further – as they needed to do.

Mr Leigh-Pemberton said: "I do not pretend that the tightening of policy now in place will produce a rapid resolution of our present concerns, but what is fundamentally important for the longer term is that we should persist in restraint until the downward pressure on inflation is clearly re-established."

The uncertainties in the markets had added to the strains faced by financial institutions, but the markets also needed an efficient infrastructure and a regulatory regime which was not needlessly intrusive.

Referring to last year's settlement snarl-ups, he said there was a mnch greater awareness now of the risks in delays between transacting a bargain and finally settling it. But more work needed to be done to eliminate the current paper-based system.

"The Exchange's plans in this regard are well advanced, and it is important that all those in the City with an interest now share in building on those plans to produce a system which meets the reasonable expectations of all parties," he said.

The governor also urged the City to continue to explore ways of developing a centralised transfer system for the money markets, after the collapse of LondonClear, a bank industry initiative, in September.

Turning to one of the leading issues facing the City – the creation of a single EC market by 1992 and its effects on London – Mr Leigh-Pemberton said: "We need to ensure that the emerging European framework will be effective, from a regulatory point of view, while at the same time promoting market efficiency. In this context, I am particularly anxious, as I know are many here tonight, to see that nothing is done to make our markets less open and welcoming to non-European participants."

Goodison urges openness

By Barry Riley

SIR NICHOLAS Goodison, retiring chairman of the International Stock Exchange, emphasised the importance of openness to the London securities market.

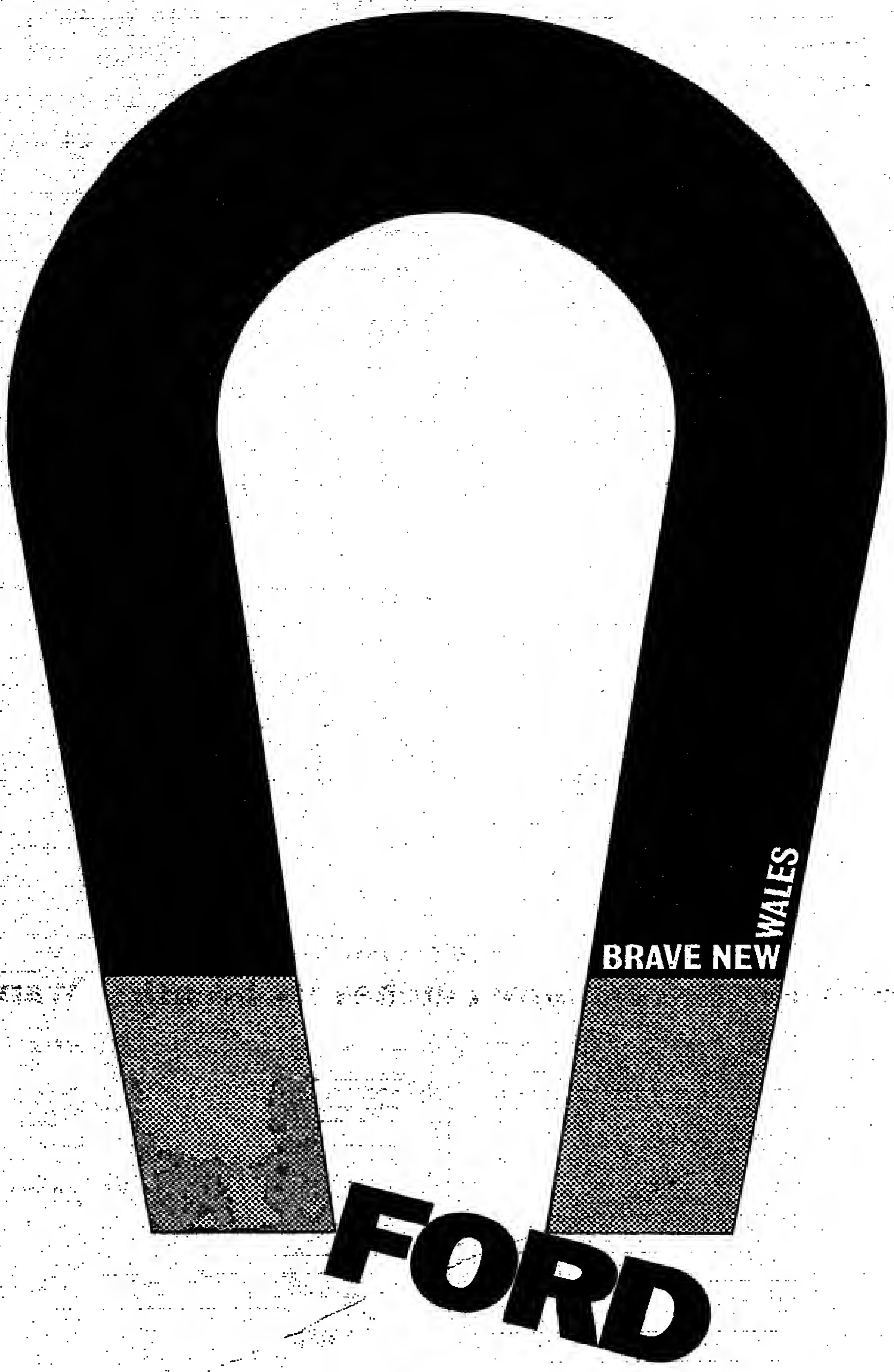
"The Europe of 1992 carries a major risk," he said. "If we do not take a very firm line, we may lose out to those in Europe who wish to erect a ring of protectionism." Such protectionism would do enormous damage to London's international business.

He said: "That is why we oppose the proposals on reciprocity in the present draft of the Investment Services Directive."

Sir Nicholas was optimistic about the future role of the Stock Exchange in raising capital for industry. That was because the conditions for further industrial and commercial growth in the UK looked good; because there would be more personal investors prepared to take the risks of equity investment; and because there would be more professional advisers within a better regulatory framework to help them.

"Demands on the equity market are likely to be very large indeed as companies position themselves for Europe and the Government continues to extricate itself from the ownership of great enterprises," he predicted.

Sir Nicholas is due to leave at the end of the year on taking up the chairmanship of the TSB Group.


BRAVE NEW
WALES
FORD

Insider information can be 'obtained' without effort

ATTORNEY-GENERAL'S REFERENCE No 1/1988 Court of Appeal Criminal Division (the Lord Chief Justice, Mr Justice Mc Cullough and Mr Justice Kennedy): October 18 1988

INSIDER INFORMATION knowingly received from a person connected with a company is "obtained" by the recipient though he made no effort to acquire it, and he therefore commits an offence if he deals in the securities to which the information relates.

The Court of Appeal Criminal Division so held on a reference by the Attorney-General arising out of the respondent's acquittal by the Southwark Crown Court of insider dealing offences.

Section 1 of the Company Securities (Insider Dealing) Act 1985 provides: "(3)...where (a) an individual has information which he knowingly obtained (directly or indirectly) from another individual who - (i)is connected with a particular company, or was at any time in the six months preceding...so connected...(4)...the former individual in that case -(a)shall not himself deal on a recognised stock exchange in securities of that company if he knows that the information is unpublished price sensitive information in relation to those securities..."

LORD LANE, Lord Chief Justice, giving the judgment of the court, said that in 1985 the respondent held himself out as a possible purchaser of a company. He was put in touch with an employee of its merchant bankers, and he asked her to provide him with financial information about the company.

In December 1985 a takeover by another company was agreed. The banker's employee,on hearing of the take-over and with the chairman's blessing, informed the respondent of the agreement and that an announcement would be made shortly. She told the respondent the information was sensitive and highly confidential and that as a result of what she was saying, he would be an "insider".

Teo minutes later the respondent telephoned his stockbroker. He purchased two blocks of shares, 5,000 at one price, and 1,000 at another. The next day a public announcement of the take-over was made, and five weeks later he sold his two blocks at a handsome profit.

On April 11 1988 he appeared at Southwark Crown Court and pleaded not guilty to two offences of dealing in company securities as a prohibited person, contrary to sections 1(3) and 1(4)(a) of the Company Securities (Insider Dealing) Act 1985.

The prosecution conceded that the respondent had taken no step directly or indirectly to secure, procure or acquire the information given to him.

His counsel submitted that there was no evidence that he "obtained" information from the "connected" individual (the employee); that he merely received it; that the prohibition in section 1(4) did not operate against him since the proper construction of "obtained" on section 1(3) connoted active conduct on his part.

The trial judge upheld the respondent's submissions and in the light of the prosecution's concession, he had no option but to direct an acquittal.

The Attorney General now referred the following points of law for the court's consideration: (a) whether "obtained" in section 1(3) had the restricted meaning of "acquired by purpose and effort", or whether it had a wider meaning; (b) whether any individual who had, from another,information within the scope of the Act and was otherwise within prohibitions in section 1(4), 1(6) and 2, might be an individual who had "obtained" within sections 1(3), 1(6) and 2.

The definition of "obtain" in the Shorter Oxford English Dictionary was "to procure or gain as the result of purpose or effort...". Webster's New International Dictionary was not dissimilar – "to get hold of by effort; to ...acquire in any way".

Thus "obtain" was capable of supporting the Attorney General's contention that it meant to "acquire in any way", and the respondent's contention that it meant to "procure as the result of purpose or effort".

The Attorney General drew attention to the scheme of the Act. That showed that potential offenders were divided into classes, the primary insider who was an individual who was or had within the previous six months, been connected with the company ; and the secondary insider who had information which he knowingly obtained from an individual connected with the company or connected within the preceding six months.

In the case of each type of insider the offence was not one of using information, but of dealing in the securities while being in possession of the relevant information.

The Attorney General submitted that, looking at the Act as a whole one should conclude that the vice aimed at was the exploitation of an unfairly privileged advantage gained from a particular source. The vice lay in the way the information was used, not in the method of its receipt.

The effect of the Act was to consolidate earlier enactments, including the Companies Act 1980, and was itself the subject of amendment by the Financial Services Act 1986. Preceding the 1980 Act was a White Paper on the Conduct of Company Directors (Cmd 7037 of 1977) which dealt *inter alia* with the subject of insider dealing.

The Paper showed an obvious and understandable concern about the damage to public confidence which insider dealing was likely to cause, and the clear intention to prevent so far as possible what amounted to cheating when those with inside knowledge used it to make a profit in their dealings with others.

So far as gaining an unfair advantage or cheating was concerned it made no difference to the person cheated whether the information on which the "tippee" based his cheating was sought out by him or came his way by unsolicited gift. Against the background of public and government concern it would have been surprising if Parliament had intended that persons should be free to make a profit from insider information simply because of the way in which they came by that information.

If one construed "obtained" in the light of the purpose behind the Act, the conclusion must be that it meant no more than "received".

Mr Ferguson for the respondent submitted that that broad construction provided inadequate protection for the involuntary recipient of information.

The involuntary recipient did not require protection. There was no crime in receiving the information. He could protect himself from prosecution by the simple expedient of not dealing in the relevant securities.

"Obtain" had already been the subject of interpretation by the court, and a narrower meaning had been adopted.

In *Fisher v Raven (1963) 47 CAR 174* "obtaining" credit by fraud within the Debtors Act 1869 was held to mean securing "by some active process". The judgment was careful to confine the definition to the purposes of the case under consideration. In *R v Hyat (1976) 63 CAR 131* it was held that to establish the offence of "obtaining" credit under the Bankruptcy Act 1914 obtaining by conduct must be proved. The present situation was different. The crucial element was the dealing.

It was submitted for the respondent that as the Act was a penal enactment, any ambiguity should be resolved in favour of the defence.

That principle of construction was of limited application. If the court was satisfied as to the meaning which Parliament must have intended the words to convey, then the principle did not prevent it from giving effect to its conclusions (see *DPP v Ottewell (1968) 52 CAR 679*).

Parliament intended to penalise the recipient of inside information who dealt in the relevant securities, whether he procured the information from the primary insider by purpose and effort, or came by it without any positive action on his part.

That conclusion would have the advantage of avoiding the fine distinctions which would otherwise have to be drawn between what was and what was not a sufficient purpose or effort to satisfy the narrow meaning of "obtain". They would have been distinctions so fine as to be almost imperceptible, and would have done nothing to enhance the reputation of the business world for honesty or of the criminal law for clarity.

The answers to the two questions posed were (a) "obtained" in section 1(3) of the 1985 Act had a wider meaning than "acquired by purpose and effort"; (b) any individual who had, from another,information within the scope of the Act, and was otherwise within the scope of the prohibitions in sections 1(4), 1(6) and 2, might be an individual who had "obtained" within the terms of those sections.

For the Crown: Sir Patrick Mayhew, Attorney General, Nicholas Purnell QC and Timothy Nash (Department of Trade and Industry)

For the respondent: Richard Ferguson QC and Antony White (Offenbach & Co).

Rachel Davies
Barrister

CORRECTION: In *Kakkar v Szelke FT October 18* solicitors for Hassle were *Bird & Bird*

TECHNOLOGY

Nick Garnett examines the traumatic modernisation experience of General Motors

The long hard road to automation

"We haven't been good at putting things in and making them run. We've had difficulties with automation. Maybe the stuff was too complex. Maybe we did not have enough training. We probably did not fully understand that there was more to it than just automating equipment."

Frank Faga, 45 years with General Motors and a manager since 1969, is talking about the world's biggest and most controversial programme of factory modernisation and automation. Undertaken by GM since 1980 it has cost $50bn (£28.5bn).

As plant manager first at Willow Run, Michigan, and then at the giant Cadillac assembly plant at Orion, north of Detroit, Faga has watched it all. Now he says: "Right now GM is in the best shape I've ever seen. We're all working and talking together. It's all coming right."

This is the crux of the modernisation issue. Did GM, too insular and too arrogant, lose its way on how it makes cars in North America? And if it did, is it getting back on track again?

On the face of it, these look absurd questions. GM, with $87bn worth of assets and more than a hundred production facilities, remains the largest motor vehicle maker in the world. It had sales last year of $100bn, took 18 per cent of world sales of cars and trucks and a 36 per cent share of car sales in the US, the world's biggest market.

Yet, in its vast modernisation programme, eight new assembly plants have been constructed and eight older ones closed. Hand-in-hand has gone the refurbishment of 19 assembly plants and 13 stamping plants. Along with this has been the installation of 7,000 robots, more than 1,000 "machine vision" systems and many hundreds of materials-carrying robot trucks. GM now has 50,000 mini-computer programmable controllers in its factories. Meanwhile the workforce in vehicle building worldwide has been cut by more than 100,000.

All this has not stopped GM's market share falling from its 49 per cent of the US car market in 1980. Much of this had nothing to do with the shopfloor but rather with Japanese penetration, confusion in GM model ranges and excessive reduction in the size of cars at GM.

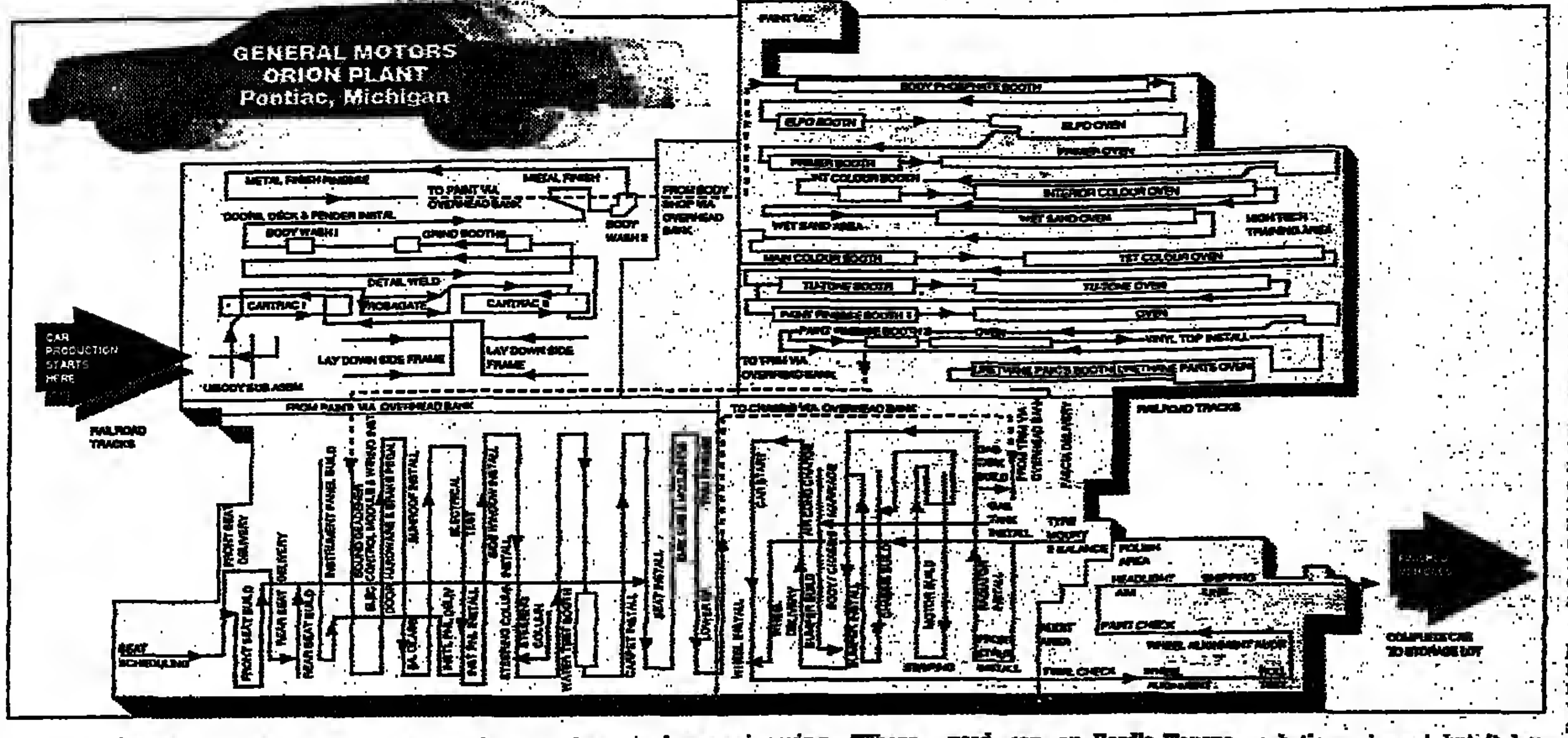
During this time GM has gone from the lowest to the highest cost US car maker, at least on one series of calculations. Ford, with much smaller turnover, last year outstripped GM in profits. By 1986, GM cars had dropped out of the tables listing the highest quality cars sold in the US. High-tech did not mean high quality.

GM's defence is this: the only reason Ford and Chrysler did not rush into automation in the early 1980s was that they were both in such poor financial health that they could not afford it.

However, GM recognises that it got one key move completely about face. It installed the equipment first and worried about people – training and culture shock – second. It did not learn enough about its own production processes before automating.

It says it has learnt these lessons now and all is coming right. Some of its cars are back on the lists for quality and value. Many of its production processes are state-of-the-art and low cost. And Ford and Chrysler will have to do some of the things it has done, at greater expense. A $600m assembly plant in 1984 would now cost $1bn to build.

For those deeply critical of the regime under Roger Smith, GM's chairman since 1982 and for whom technology-is-everything became a kind of watchword, there is plenty to go on.



One point frequently made is that, by 1986, the joint GM-Toyota NUMMI plant in California, a former nightmare facility, now with Japanese-style management but only middle-tech equipment, was still top of the internal GM quality comparisons.

A main criticism is that GM did not do the groundwork on statistical process control (SPC) which gives a detailed breakdown of the performance of production machines and processes. GM, say the critics, has still not done this to the level achieved subsequently by Ford.

Another complaint is that GM, which runs the world's biggest private educational budget did not understand that technology required shopfloor re-education. This is surprising because GM managers should have been aware of what had gone wrong during an earlier sortie into high-tech. The partly robotised Vega line project set up at Lordstown, Ohio, in 1972 ran into such difficulty that it put factory modernisation at GM into hibernation until the end of the decade.

"People did not understand it," says Gerry Elson, executive director for advanced manufacturing engineering. "There were no people systems. It takes five years with a process engineer working with new technology to start really thinking in that technology. You can't just flick a switch and move into one and out of another."

GM, its critics say, has taken most of the 1980s to re-learn this. It has only just formed a centralised major systems engineering capability despite employing 15,000 people for years in its vast technical centre at Warren, near Detroit. It still does not have the type of innovatory labour practices used, say, on Ford's Taurus and Sable lines.

GM certainly underestimated the upheavals involved in automation and in setting up new plants. "With plant closures it was like hitting workers with a four-by-four plank. There was a lot of fear," says Faga. "At Orion, a new plant, we brought in people from 23 other facilities. It takes a long time to make it into a mature organisation."

One lesson learnt within GM is that the highest internal quality rating is now claimed by the Buick City plant in near-by Flint. This has lots of robotic equipment but it has also had much more of a spirit of co-operation between shopfloor and management since the plant workforce put forward its own programme to redevelop the plant in the mid-1980s.

Another line of criticism is that GM did not pay enough attention to cost reductions in its component plants and in design engineering. More than 70 per cent of components used by GM are still made by GM itself, compared with 50 per cent at Ford and 30 per cent at Chrysler. Up to this year GM used 11 different floors for its models.

Nevertheless GM is now feeling more confident and can produce statistics pointing to the success of much of its advanced equipment.

"It's not that we won't put in anything new now. It's just that we put it in in a more controlled way," says Ron Scholl, planning administrator at Flint. "There is more direction in GM manufacturing. We used to think just internally, comparing division with division. Now we have more information about other companies."

Market share will be more than 38 per cent this year compared with a low of 33 per cent in one quarter of 1987. In the latest GD Powers Associates quality test, three US cars are in the top ten – all from GM. According to internal audits, a number of plants have now caught up with NUMMI quality levels.

The company also points to genuine and impressive use of modern equipment. In its body shops, 97 per cent of welds are done by robot. At Buick City, inventory levels are down to four hours from suppliers. It claims to have near paperless receiving and shipping with electronic hook-up to virtually all suppliers.

Buick City also has an example of very advanced GM automation. This is a robot which receives car seats through the wall of the factory and stacks and distributes them to a programmed order of building. The seat supplier, Lear-Siegler, operates its factory to a five-day GM car building programme which GM supplies to it electronically.

Elson says morale is improving a lot at GM. "Involvement of the people is the most dominant element in the company right now." This is a far cry from the technology-is-everything regime. But for those most critical of the world's biggest manufacturer corporation, GM still has to prove that its learning curve is as long and comprehensive as the company says it is.

WORTH WATCHING

Edited by Geoffrey Charlish

An ear for the untoward

A SECURITY system which listens for intruders has been launched by Abbey Security International of Nottingham. Called Audioguard 199, it ignores sounds not normally associated with a break-in. But hammering, drilling, or breaking glass will trigger a telephone call to Abbey's central monitoring station. A security man can record what is going on and play the result to the police.

Seeing is believing

THE LAST word in computer terminals has emerged from Reflection Technology of Cambridge, Massachusetts. Not much bigger than a matchbox, it can be hooked to a pair of glasses or a headset, in front of one eye. The battery-powered device, called Private Eye, leaves the user free to move about, in factory or office, using a hand-held keyboard.

Weighing less than 2 oz, the device can be flipped down over the eye when needed. But an optical system makes the tiny display area look like a 12-in screen, two feet away. Definition is said to be as good as a personal computer screen, with 25 lines of text at 80 characters a line. Graphics can be displayed.

Volume production is not expected to start until well into next year.

Keyboards for heavy hands

KEYBOARDS used in publicly operated equipment or in difficult environments are often membrane types with no keys as such, but a flat, sealed, cleanable surface with the keys marked on an overlay. Each key area moves when depressed, operating a mechanism beneath. The plastic overlay is likely to break eventually. Then sealing is compromised.

Robert Michaels Communications of the UK is offering a board from Algra, a Swiss company, which uses piezoelectric sensors under each key. These need only an applied force, with virtually no movement, and are protected by a metal, key-imprinted overlay.

CONTACTS: Reflection Technology: US, (617) 547 4281. Abbey Security: UK, 0602 580164. Robert Michaels Communications: UK, 0202 892088.

WEST GERMANY

David Goodhart analyses the influence of West Germany's regional structure on the country's economic decision-making

System without a centre — but with history on its side

Those who chastise the West German Government for lack of economic leadership should recall that the architects of the country's post-war political order designed a system without a centre. It is a Federal Republic in more than name, indeed the power of central government is arguably weaker than in any major industrial country apart from the US.

The 11 Länder (states) — ranging from ancient kingdoms like Bavaria to post-war creations like North Rhine-Westphalia — are responsible for most services, including education and parts of the training and welfare systems, and they control the important levers of industrial and regional policy.

The Länder and the Gemeinde (the smaller local government areas) between them take more than half of all national tax revenues. They also paid out more than the Federal Government in subsidies last year, going by the Government's national total of DM 76.5bn (£24bn, nearly 4 per cent of GNP).

Sometimes it seems the Federal Government can only claim real control in defence and foreign policy — though the southern states Bavaria and Baden Württemberg are increasingly running their own

1992 will benefit those regions closest to the rest ofthe Community

economic foreign policies, and all states have offices in Brussels.

But has West Germany's decentralised structure, which once attracted such admiration, become an obstacle to necessary reform? Clearly the different interests — and politics — of 11 Länder make it more difficult to establish a consensus for reform when one is required.

The whole political system is built out of Länder bricks, and frequent Länder elections are an important constraint on Federal politicians. Major pieces of Federal legislation, such as the current tax, health and Bundespost reforms, are also subject to regional special interests through the veto power of the Länder-controlled upper house, the Bundesrat. Some critics even claim that the Länder system — which once released and dispersed energies — is not just an obstacle to reform but has become a leading contributor to the national inflexibility problem itself. It is certainly difficult to open a German newspaper without finding some problem aggravated by regionalism.

For example the resolution of the August "hostage drama" in which two bank robbers drunkenly weaved around the country, occasionally swapping vehicles and hostages, would have been far simpler — and possibly reduced the loss of life — if the police operation had been centrally managed. Instead responsibility shifted back and forward between Bremen and Düsseldorf, capital of North Rhine-Westphalia, which limited opportunities for decisive action.

One of the main industrial concerns of the past few months has been the restructuring of the aerospace industry, and the question of whether Daimler-Benz will take over Messerschmitt-Bölkow-Blohm (MBB), the Bavarian-based aerospace company. That matter has been complicated by the fact that three states — Bremen, Hamburg and Bavaria — all hold stakes in MBB and insist that their local industrial and employment priorities are respected.

Or, a more structural example: while it is true that the Federal Government does not always practice what it preaches about cutting subsidies, deregulating, or providing industrial aid only to cushion restructuring, it is none the less severely handicapped when an important state like Bavaria is subverting most of those goals.

Right-wing Bavaria has recently, for example, thwarted the privatisation of Lufthansa, taken a 40 per cent stake in a local steel company to prevent it closing, and is now leading the fight to ensure that the Bundespost does not shake off too many of its social obligations as it tries to become more competitive.

Bavaria is somewhat exceptional, and will remain so following the death earlier this month of Franz Josef Strauss, its prime minister for many years. Despite the entrepreneurial image of the Munich area, Bavaria's brand of conservatism has never been hostile to the state and much of the electronics boom in the region has been based on Federal Government orders. But even neighbouring Baden Württemberg, the richest state in Germany, offered DM 140m to Daimler-Benz, one of the richest companies in Germany, to build a new plant at Rastatt. Hardly a sensible use of public funds.

The latter case illustrates how too much Länder autonomy in industrial policy can produce perverse results. It also underlines how the regional and industrial policy apparatus, established in the 1960's, has done little to ameliorate the widening gap between declining North and prospering South. Overhaul is overdue but is blocked by vested interest and sensitivities about the past.

The border issue is typical. After the division of Germany many areas close to the border lost their markets, and became demic institutes. A recent survey suggested that Dortmund and Münster, both in North Rhine-Westphalia, are now the most favoured towns in the country for new investment.

To the extent that a single European market in 1992 will benefit those regions closest to tha rest of the Community, the declining industrial states of North Rhine-Westphalia and Saarland — both with EC borders — are well situated. The spiralling of property prices in Munich and the simple lack of good, flat, land in Baden Württemberg will also slowly help to narrow the gap.

Compared with most other industrial countries, regional divisions within Germany remain unspectacular. And while the Länder system is clearly a hindrance to reform in some spheres, history is on its side. The decline of the nation state in Europe — hastened by 1992 — will concentrate even more power in Länder hands.

If that power is not to be abused by the richer states a new contract between centre and regions is required. But while the Bonn coalition and the governments of the fastest growing states remain part of the same political groupings rational overhaul remains unlikely.

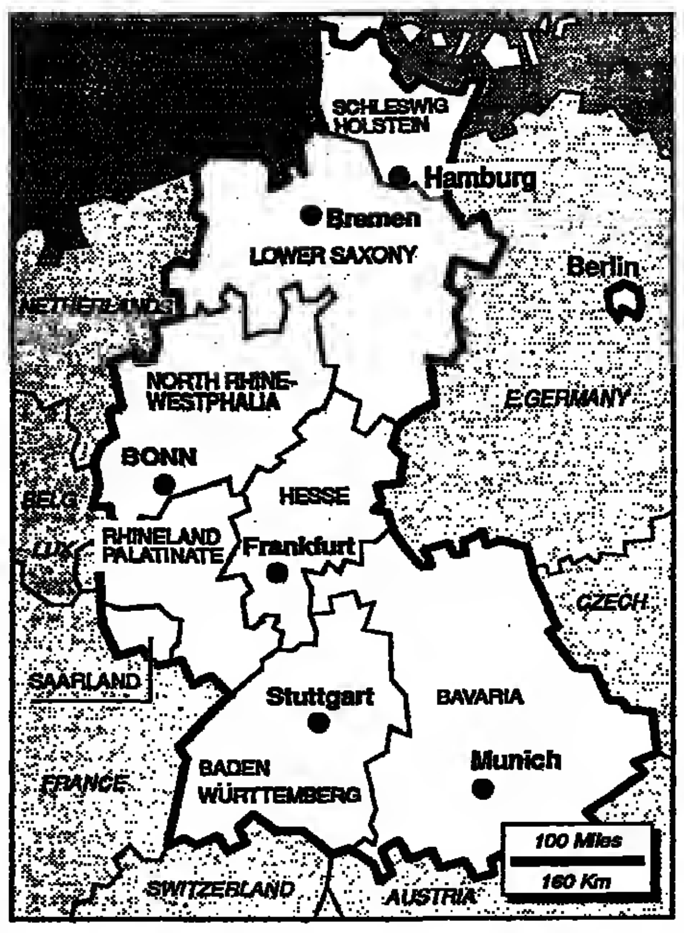
the special focus of regional policy. Forty years later the border regions still attract the highest grants for new investment and most generous tax allowances despite the fact that some of the areas — like the suburbs of Hamburg — are now quite privileged.

Notwithstanding pressure from the European Commission and states like North Rhine Westphalia, which has no border with the East, the regional policy committee of 11 Länder and 11 Federal Government representatives cannot ensure that aid has a more rational focus. This is largely because the Federal representatives are not politically disinterested but tend to side with their party political colleagues in the Länder.

The *Sozialhilfe* system — of payments to the long-term unemployed — is another case in point. The payments are made by the Gemeinde but the Länder end up footing much of the bill, and the burden falls most heavily on the poorest Länder which have the highest concentration of longer-term unemployed. The richer Länder have successfully prevented overhaul.

Much infrastructure investment also seems misdirected. There is no motorway linking Saarbrücken and Luxemburg, and the rail line between Hamburg and Kiel has yet to be electrified, "yet there are many quite modest towns in the south which are building subsidised underground car parks," according to Mr Ulrich Pfeiffer, a regional policy consultant.

Even the smallest and most left-wing Gemeinde is used to trying to make itself attractive to business because part of its income comes from a tax on business turnover. Yet the Social Democratic states North Rhine Westphalia, Bremen, and Saarland record the lowest per capita infrastructure investment because they have to spend so much money propping up steel, coal and shipbuilding areas, while Bavaria and Baden Württemberg are at the top of the investment table and have money to spare to lure new industries.



This misallocation of resources is becoming increasingly expensive. The cost of regional aid is now about DM 7bn a year according to EC statisticians, and nearly double that according to some academic estimates (using a wider definition).

While the Länder roots of regional and industrial policy has ensured no French-style experiments in sector targeting, regional aid — mostly split equally between Länder and Federal Governments — has still become Germany's fourth largest subsidy category after coal, research and development, and agriculture.

Brussels is not happy that Europe's richest country, which 10 years ago was in the middle of the EC table of regional subsidisers, is now second to Italy. It has forced down the highest investment aid package from 25 per cent of a project to 23 per cent and is, with only limited success, forcing a reduction in the area of the country covered by regional grants from 45 per cent to below 40 per cent. The EC is also keeping an eye on Länder inducements to companies and made Baden Württemberg scale down its notorious land and aid package to Daimler-Benz at Rastatt.

Germany can, reasonably enough, claim that West Berlin — which accounts for nearly half of regional aid — is exceptional. And that some efforts are being made to control and re-direct regional spending. Rich Baden Württemberg, for example, now has no areas automatically qualifying for basic Federal: Länder industrial assistance and the states'redistribution mechanism is forcing it to pay about DM 2bn a year to its poorer brothers.

Also next year the Government is phasing out the tax allowance for investment in assisted areas which will eventually save about DM 850m per annum. Some of that money will be redirected to grants, which will have the effect of further strengthening Länder control over funds.

But will that Länder control merely exacerbate the North-South divide? The claim is that despite their conservative politics, and the national principle of regional equality, the richer, mercantilist, southern states can fund a costly system of intervention and industrial support which unfairly ties the most dynamic companies and sectors to one part of the country.

Stories of such deals are legion. Examples include the DM 150m that Bavaria is said to have offered BMW to build a plant at Regensburg; Baden Württemberg's deal to persuade Daimler-Benz to buy Dornier and thus prevent ownership leaving the state; or the same state's intervention in a property dispute which ensured that Nixdorf built a major research centre in the capital Stuttgart.

More legitimately the Southern states have established an efficient and imaginative system of industrial support — especially in training, research, and provision of land — which suggests old-fashioned subsidies can work well in the right context. Bavaria spends DM 1bn a year on industrial support — on top of joint Federal/Länder spending — and the figure is rising.

Not everything is expensive. Mr Robert Fischer, in the Bavarian Employment Department, provides a personnel management service to small firms that could not otherwise afford it. He also persuades the leading academics in the field of, say, ergonomics or quality circles, to write a state-of-the-art pamphlet on the subject which he then gives away to all interested companies — at an annual cost to Bavaria of only DM 50,000.

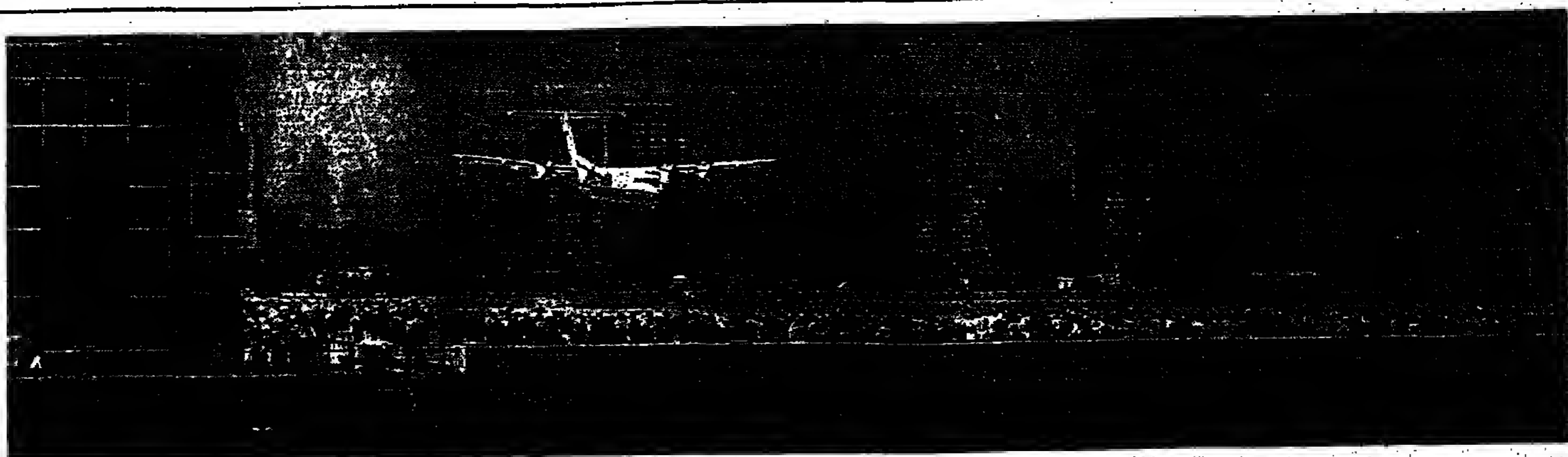
But the real strength of industrial policy in BW and Bavaria has been the exceptionally close relationship between business and politics and the energetic lobbying by politicians on behalf of "their" companies in Bonn, Brussels, or even Moscow. These attitudes have helped the south retain a lead but the accidents of economic history ensured that it attracted the newer growth industries in the first place. Siemens, and subsequently the German electronics industry, located itself in Munich after the war because there was no more room in booming, heavy industrial, North Rhine-Westphalia.

Firms continue to find the south a draw because of its education system, low energy costs, and attractive countryside. Wages are also lower although household incomes are higher because more women work.

The North is fighting back. It cannot match the grants of the South but the government of North Rhine-Westphalia is throwing off its Social Democratic suspicion of business and learning to act as a link between companies and aca-

Coming in to land

By Paul Cheeseright



London City Airport, where the Port of London Authority retains a financial interest as landowner. Last year property contributed £13.7m to PLA operating profits, more than ever before. The rise in property values is making a signal contribution to PLA finances.

VAST land banks have been built up by the state. Nationalised industries have huge tracts. But, as privatisation continues and as state bodies come under increasing pressure to mind their costs, recognition is dawning: the land is or could be valuable.

Land which once was used for manufacturing often is more valuable if it is used for something else once the manufacturing has stopped. Economic growth has created its own pressure for new space. Land that it would have been difficult to give away three years ago is in demand. Prices have shot up dangerously.

The effects have been striking. Rising land values have made a material contribution to the finances of Associated British Ports, National Freight Consortium and British Airports Authority, making property development a significant part of their overall business.

The strong property market has allowed British Telecom to realise £100m from the sale of surplus property since 1986. It has encouraged British Gas to put its finger in the property waters through working up plans for the redevelopment of surplus sites like the Greenwich Peninsula in London. It has provided a financial prop for British Rail. Its property operations this year will contribute a gross £290m to its funding. On a smaller scale British Waterways Board is obtaining a third of its external turnover from the exploitation of its estate.

Demand for space in areas once ignored by developers has given an extra lustre to statutory undertakings like the Manchester Ship Canal Company in the private sector and the Port of London Authority in the public sector.

But against this background of shifting land use, there is a basic question which has been thrown up by the row about British Aerospace — the allegations of asset-stripping Royal Ordnance and the denials that any such thing was intended. It concerns the valuation of assets.

When British Telecom and British Gas were floated, their land was not valued in accordance with the guidelines of the Royal Institution of Chartered Surveyors, which are designed to produce a fair and true value. There has been a tendency to undervalue the property estates of the state sector. Company accounts tend not to specify that landholdings may have a higher value if there is a change from existing use.

Nobody was much concerned about the land values of the recently privatised companies. *It does not seem to have been a factor in the sale of Royal Ordnance.*

But for future sales of public property to the private sector, if any lessons are to be learned from the BAe fracas, there is a need to specify both the extent of the land surplus to the operational requirements of the company in question and whether that land has development potential or not.

This will matter more for the electricity and water industries than it will for British Steel, which has been selling its surplus land as quickly as possible after plant closures — it has little left.

The latest Electricity Council accounts, covering the Central Electricity Generating Board and the 12 distribution boards, gives a net book value of £689m to non-operational land and buildings, and that includes offices. The CEGB has 50,000 acres of non-operational land, about two thirds of the industry total. And the larger part of that are closed power station sites.

Until recently, the CEGB was under pressure to dispose of its surplus land and what is in the system for sale will be sold. But the rest will be handed on to successor companies and their managements will have the freedom to decide what they want to do with the land.

There no collective figures available for the land holdings of the water authorities but the case of Thames Water gives a flavour of what is involved.

Thames Water has land holdings of 17,000 acres, little of which is surplus. But its installation of a new London tunnel ring main has started to release sites. One such is 93 acres at Stoke Newington, for which a planning application has been lodged covering aquatic amenities and housing. More sites will come up between now and 1992.

None of this is to suggest that shareholders in companies soon to be privatised will immediately take part in a property bonanza. The practicalities of preparing land for different uses takes time and money. Knocking down an old power station and clearing the site of asbestos is both difficult and expensive.

Winning planning consents is a lengthy business as British Gas is finding in settling the nature of appropriate development with Greenwich Borough Council for the Greenwich Peninsula site.

And, while property development is assuming increasing importance in the affairs of AB Ports, British Airports Authority and NFC, it would be a sideline for both the electricity industry and the water companies.

But what is happening in all these cases is that surplus land, once effectively frozen, is being turned back to use.

Three examples:

The Ministry of Defence has an estate of more than 600,000 acres and rights over land of more than 88,000 acres, according to the National Audit Office.

The National Health Service estate has about 50,000 acres, Mr John Moore, then Secretary for Social Services, said last February. A quarter of that is likely to become surplus over the next 10 years.

Local authorities, according to the Audit Commission, sit on property, excluding housing, with a replacement value of probably £100bn.

If the Government and local authorities are concerned about escalating land values, they should speed up the rationalisation of their own estate and release more land to the market.

INTERNATIONAL PROPERTY

MANAGEMENT

Lucas Industries

The word 're-rating' is suddenly in the air

Richard Tomkins assesses the UK components maker

A thick skin has been a prerequisite for service in the higher echelons of Lucas Industries over the past few years. It is none the less impressive to find Tony Gill, the group's 58-year-old chairman and chief executive, barely wincing at the likening of his company to a dinosaur.

The comparison offers itself because of a lingering perception that Lucas, the automotive and aerospace components group still best known for its car parts, is a relic from a bygone age: that for all its reorganisations and reconstructions over the past eight years, it is a lumbering giant still struggling to adjust to the post-recessional climate.

Gill, promoted to the stewardship of Lucas when Sir Godfrey Messervy stepped down last year, reasons against the suggestion with the patience of a man inured to such taunts.

"The dinosaur was an animal with a vast body but a very small brain," he says. The point he makes is that Lucas's "head", its technological expertise, has always been a strength. Its body may have become bloated and unsuited to its environment, but the animal has now been restored to health, he maintains.

Slowly, the message is getting across. City analysts, long fiercely critical of the company, still hedge their circulars with caution; but they are now looking at Lucas in a *different* light. Suddenly, the word "re-rating" is in the air.

If Lucas's rehabilitation is nigh, it has been a long time coming. Indeed, in the company's darkest hour it seemed it might never come at all.

That was in 1981, when for the first time since the business was founded by Joseph Lucas in 1875, it plunged into losses. Lucas's post-war prosperity had been built on the supply of components such as batteries, lights and starter-motors to the thriving UK car industry. When that went into decline in the 1970s, it found itself on the edge of an abyss.

It was not just the marketplace that had gone wrong: Lucas had also fallen victim to earlier successes. It was suffused with self-satisfaction characterised by a notoriously inward-looking and highly centralised management, appointments to which were mostly from within its hierarchy.

That complacency was in part to blame for Lucas's slow response to the motor industry's decline. The writing had been on the wall for UK car makers long before 1981, but Lucas's managers too readily interpreted the downturn as just another wave in the cycle, and failed to respond in time.

All this changed with the 1981 losses. The shock threw Lucas into a period of intense self-examination under Sir Godfrey, the man who steered the company through the grimmest period of its history. Out of this emerged the survival plan that remains the basis of the company's strategy today.

There were three main prongs to the strategy: to reduce exposure to the UK market; to reduce dependence on commodity-type products with a low technological content: and to get a better balance between the group's automotive activities and the two much smaller divisions — aerospace and industrial.

But just as significant was the accompanying change in management style. As Gill, then one of the company's two joint managing directors, recalls: "Lucas had become a *dominant* supplier in the UK because its components were good. But that had tended to breed an attitude in people that because we were so good, the world owed us a living. We had to make a conscious effort to shake off that attitude."

The means to that end was a programme of competitive achievement plans, or CAPs. Under these, every group business was required to identify its competitors, measure their performances, compare them with its own, and develop a plan to make good any competitive disadvantage.

If the plan was credible and affordable, and if the board could see within the business's management and employees the ability to implement it successfully, it went ahead. If not, the business was earmarked for closure, sale, or merger into some form of joint venture.

Of the 150 sizable business units to which CAPs were applied, some 35 failed the test, and of those that passed, few remained unscathed. The scale of the restructuring that resulted is illustrated by the virtual halving of Lucas's UK workforce from 69,000 in 1979 to 35,000 now.

The CAP programme is not just history; it is at the core of Lucas's management technique today, with each business unit's plan reviewed annually and its targets revised as the competition shifts. Acquisitions, too, are brought under the same regime.

Reconstruction has greatly changed Lucas's shape. The run-down of its unviable UK businesses combined with expansion abroad has cut the proportion of UK sales from 51 per cent of group turnover in 1979 to 38 per cent now. Counting indirect exports, Lucas reckons only 24 per cent of turnover is within the UK.

On the automotive side, the clear-out of the old commodity-type component businesses is virtually complete. The continuing operations are those which apply Lucas's proprietary technology to higher added value products in international markets — anti-lock braking systems, diesel injection systems and petrol engine management systems.

The aerospace and industrial divisions have yet to reach equilibrium with automotive operations, which still represent 67 per cent of turnover, but the balance is improving, particularly in aerospace.

Lucas Aerospace is now supplying a good spread of civil and military programmes; the biggest are Tornado, Airbus and the V-22 Osprey, for which Lucas supplies actuation systems, power generation equipment and electronic engine controls.

Already one of the largest aerospace equipment suppliers in Europe, Lucas has spent more than £150m over the past two years on acquisitions in the US market, which accounts for about three-quarters of the Western world's aerospace sales. Last month's purchase of Utica Power Systems from Allied Signal Aerospace took Lucas's annual turnover in the US to more than $400m a year.

Yet in spite of this realignment, niggling doubts persist. Lucas has been through more reconstructions over the past decade than the average broker has had hot lunches, and some find it hard to accept that this period in its history is over.

A corollary to this is the feeling that Lucas's recovery has been unduly long in arriving compared with that of, say, GKN, the UK industrial group.

Partly this is because Lucas's problems were on such a scale that it did not have the financial resources to solve them in one fell swoop. But Gill is also ready to acknowledge that Lucas is traditionally a cautious company, without accepting this as a fault.

He is not ashamed of annual pre-tax profits rising from £2.1m to £114.5m over the five years to July 1987. "And if we are a bit slow, it's because we are sure," he says.

"We spend 2 per cent of annual turnover on training and 6 per cent on research and development. If you say to us that other companies have got their profits up higher than ours and sooner, then yes, they have; but if you say that on the way to doing that they have not abandoned some of the things without which they are going to be struggling in the longer-term future, then I think that takes some questioning."

There are still some problem areas. Action is overdue at Thomson-Lucas, the joint venture aerospace company in France which is losing money through its failure to adjust to a fall-off in the French military market. UK aerospace operations have been suffering from competition and restructuring costs. The automotive boom will not go on forever.

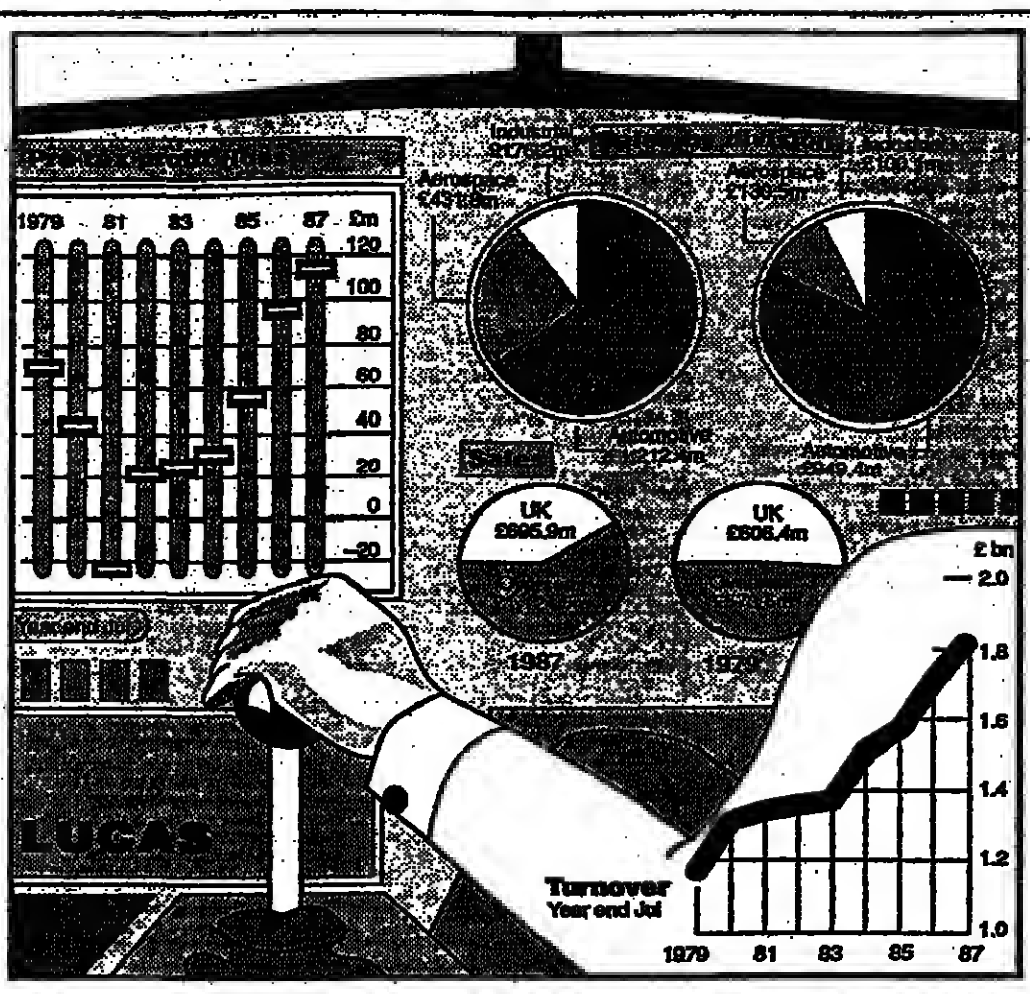
Yet the City is sufficiently relaxed about the outlook to reserve its worst criticisms for Lucas's gall in landing it with a £163m rights issue in March — at the time, the largest cash call since the October crash.

"There seems to be a total inability on Lucas's part to understand why the City was so brassed off with it," says one observer. "If the rights issue had been accompanied by a major acquisition, people would have lapped it up; but as it was, they simply got stuffed with paper for no apparent reason at the worst possible time."

Gill argues that Lucas needed the cash so that it could go for a major acquisition without having to wait for the market's approval. "In the US, you don't even get onto the list of accredited bidders for a company unless you can demonstrate that you have the funds available."

The argument is sound. Yet underlying the City's annoyance is the feeling that, in some small way, it smacks of atavism — a reversion to the Lucas-knows-best arrogance that preceded the 1981 fall.

That is probably too harsh a judgment. But as observers wait to see whether Lucas's results for the year to July 1988, due on Monday, fulfil their promise as a watershed in its transition from recovery to growth, the incident is an illustration — perhaps a warning — of how fragile are the perceptions of the company.



Aiming for precision is barmy in a mish-mash world

Sir John Harvey-Jones gives his views on the British and 1992 to Michael Skapinker

Margaret Thatcher has made plain her implacable opposition to a United States of Europe. Sir John Harvey-Jones, however, thinks the British are the best Europeans of the lot.

"We're the only silly sods who follow all the rules," he told a luncheon organised last week by Canny Bowen and Associates, a firm of headhunters.

Sir John, former chairman of ICI, said that Britain would enter the single European market with several advantages. These included experience of operating in other countries and the fact that English is now the international language of commerce.

Harvey-Jones has appeared in government advertisements aimed at alerting British businessmen to the approach of the single market. He warned, however, that although companies are now aware of 1992, many have not given enough thought to what it might mean for them.

One of the problems, he conceded, is that not even the European Community officials in Brussels really know what the single market will look like.

"We all believe somebody is managing the process," he said. "But they have even less idea of where the thing is going to end up than we do."

No process of deregulation ever turns out the way that people expect, he said. "We're entering a whole mish-mash world. Precision and trying to aim for precision is barmy and may well lose the battle."

Nevertheless, certain consequences of the single market are predictable, he continued. For one thing, the next 10 to 15 years are "going to be pluperfect hell".

In the United States, four or five players tend to control 80 per cent of a market sector. In Europe there are perhaps 25 companies in a particular sector, he said.

The single market will result in a dramatic reduction in the number of European companies. "We are looking at a degree of attrition that we've not experienced at any time. In my judgment, at least half the European companies will disappear."

This did not mean that all their factories would disappear, he said. But a process of consolidation was on the cards. Unfortunately, he added, "this restructuring is going to be so painful that I think we probably will create a fortress Europe. I'm not advocating this. I think it will be unfortunate."

On the other hand, "the good news is that we will have in Europe a structure that can take on the rest of the world. There will be a lot more wealth to go around. That's the end result. The difficulty is how we get through the interim period and survive."

Survivors

Given that the future is so uncertain, how can companies ensure that they are among the survivors? The first thing they need to do, Sir John said, is ensure that they are sufficiently flexible and decentralised to adapt to whatever changes 1992 brings.

"Centralised organisations are going to be slaughtered in this. You are going to have to be able to change direction very quickly. You've got to set yourself up for flexibility rather than precision. I worry about that because one of the problems with our country is that we are uncomfortable with imprecision."

The second task for would-be survivors, he said, is to find and keep European managers. "The European manager is a very rare animal. They are people of whatever nationality who are comfortable in more than one national environment. They understand the country, they know the way it works and they are tuned in to the establishment of that country.

"There are very few people who are used to operating in more than one environment. They are going to be like gold. You've got to cherish them. And I don't know that European companies have always done that."

COMPANY NOTICES

NOTICE OF REDEMPTION AND TERMINATION OF CONVERSION RIGHTS

ISETAN COMPANY LIMITED

US$20,000,000

3¾ per cent. Convertible Bonds 2000 (the "Bonds")

NOTICE IS HEREBY GIVEN that, in accordance with the provisions of the Trust Deed dated 20th June, 1985 between ISETAN COMPANY LIMITED (the "Company") and The Bank of Tokyo Trust Company as Trustee, under which the Bonds were constituted, the Company has elected to exercise its right to, and shall, redeem on 23rd November, 1988 all of the outstanding Bonds at the redemption price of 100 per cent. of the principal amount thereof, together with accrued interest to such date of redemption. The aggregate principal amount of Bonds outstanding as of 14th October, 1988 was US$700,000.00.

The payment of the redemption price and accrued interest will be made on and after 23rd November, 1988, upon presentation and surrender of the Bonds, together with all unmatured coupons appertaining thereto maturing on or subsequent to 23rd November, 1988, at any of the following specified offices of the Paying Agents:

The Mitsubishi Bank, Limited
1 King Street, London EC2V 8LQ

The Long-Term Credit Bank of Japan, Limited
18 King William Street, London EC4N 7BR

Morgan Guaranty Trust Company of New York
Avenue des Arts 35, 1040 Brussels

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal, Luxembourg

The Bank of Tokyo, Limited
4-8 Rue Sainte-Anne, 75001 Paris

On and after 23rd November, 1988, interest on the Bonds will cease to accrue.

The Bonds may be converted into shares of common stock of the Company at the conversion price (with Bonds taken at their principal amount translated into Japanese yen at the rate of ¥250.30 = US$1) of ¥568.50 per share. Each Bondholder who wishes to convert his Bonds should deposit his Bonds, together with all unmatured coupons, with any of the Conversion Agents, being the same as the Paying Agents specified above, accompanied by a notice of conversion (the form of which notice is available from any of the Conversion Agents). SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL BONDS AT THE CLOSE OF BUSINESS ON 23RD NOVEMBER, 1988.

For the information of the Bondholders, the average of the daily closing prices of the shares of common stock of the Company on the Tokyo Stock Exchange for the 20 consecutive trading days, the last of which occurred 30 days prior to 21st October, 1988, was over 150 per cent of the conversion price in effect on such day. The reported closing price of the shares of common stock of the Company on the Tokyo Stock Exchange on 14th October, 1988, was ¥2,000.00 per share.

ISETAN COMPANY LIMITED
By: The Mitsubishi Bank Limited
As: Principal Paying Agent.

21st October, 1988

East Rand Gold and Uranium Company Limited

Incorporated in the Republic of South Africa
(Registration No. 71/07001/06)

INTERIM DIVIDEND — NO. 20

On Thursday, October 20 1988, an interim dividend, No. 20, was declared payable to holders of ordinary and S ordinary shares, as follows:

Amount (South African currency)	80 cents per share
	1988
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, November 11
Registers closed from to (inclusive)	Saturday, November 12 Saturday, November 26
Ex-dividend on Johannesburg and London stock exchanges	Monday, November 14
Currency conversion date for sterling payments to shareholders paid from London	Monday, November 14
Dividend warrants posted	Thursday, December 8
Payment date of dividend on or about	Friday, December 9
Rate of non-resident shareholders' tax	15 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: A J S Sebba
Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)
and
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office
44 Main Street
Johannesburg 2001
(P.O. Box 61587
Marshalltown 2107)

London Office
40 Holborn Viaduct
London EC1P 1AJ

Johannesburg
October 21 1988

Free State Consolidated Gold Mines Limited

FREEGOLD Incorporated in the Republic of South Africa
(Registration No. 05/28210/06)

SECOND INTERIM DIVIDEND — NO. 67

On Thursday, October 20 1988, interim dividend No. 67 (being the second interim dividend in respect of the financial year of eighteen months ending March 31 1989) was declared as follows:

Amount (South African currency)	160 cents per share
	1988
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, November 11
Registers closed from to (inclusive)	Saturday, November 12 Saturday, November 26
Ex-dividend on Johannesburg and London stock exchanges	Monday, November 14
Currency conversion date for sterling payments to shareholders paid from London	Monday, November 14
Dividend warrants posted	Thursday, December 8
Payment date of dividend on or about	Friday, December 9
Rate of non-resident shareholders' tax	15 per cent

Holders of share warrants to bearer are notified that the dividend is payable on or after Friday, December 9 1988, upon presentation of coupon marked "South Africa" and No. 8 on the side reflecting the share warrant number, at the offices of First National Bank of Southern Africa Limited, Stock Exchange Branch, Diagonal Street, Johannesburg, South Africa; Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zürich, Switzerland; Credit du Nord, 6 and 8 Boulevard Haussmann, 75009 Paris, France; and Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels, Belgium, only. Coupons must be left at least four clear days for examination.

The full conditions relating to the dividend may be inspected at the Johannesburg and London offices of the company and its transfer secretaries.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: N. B. Stinton
Divisional Secretary

Transfer Secretaries
Consolidated Share Registrars Limited
First Floor, Edura
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Johannesburg
October 21 1988

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
21	22	23	24	25	26	27

OPERA AND BALLET

London

Royal Opera. Celebrated Welsh National Opera production of Falstaff by Peter Stein. Richard Armstrong conducts, Donald Maxwell takes the title role, and the cast also includes Suzanne Murphy, David Malis, and Cynthia Buchan. Covent Garden. (Mon, Thur and Oct 29) (240 1066)
English National Opera. David Alden's surrealist production of Simon Boccanegra, which caused fierce controversy when first shown, returns with the same conductor, Mark Elder, in charge, but a cast of new principals – Malcolm Donnelly, John Tomlinson, Janice Cairns, and Edmund Barham. Also in repertory: the new production of La Traviata, one of David Pountney's unidiomatic, hectoring incursions into 19th century opera, relieved by Helen Field's very English but touching heroine, and The Barber of Seville, an unfunny Jonathan Miller production similarly aided by Della Jones's sparkling Rosina. Coliseum. (836 7666)
Royal Ballet shows a new triple bill, with the creation of David Bintley's Trial of Prometheus (Thur, further performances Tue, Wed). Other works in the bill are Bintley's Still Life at the Penguin Cafe and Ashton's Rhapsody. Covent Garden.

Paris

Opéra. Raymonda, a 3-act ballet choreographed and produced by Rudolf Nureyev and inspired by the Marius Petipa version. (47425371)
American Ballet Theatre, Théâtre des Champs Elysées. Mathilde Monnier dancing in Je ne vois pas la Femme Cachee to baroque music. Followed by Martha Clarke, a disciple of Martha Graham, in Vienna Lusthaus, a fresco capturing Vienna's *fin de siècle* contradictions (42742277)

Vienna

State Opera. In repertory: Il Trovatore, conducted by Pinchas Steinberg, with Gabriele Lechner, Stefania Toczyka and Giuliano Ciannella. Maria Stuarda conducted by Ion Marin with Agnes Baltsa, Maria Zampieri and Anna Gonda. Carmen conducted by Claudio Abbado. Gross Fuga von Beethoven/Liebeslieder Walzer by Brahms. Simon Boccanegra conducted by Claudio Abbado with Gabriele Lechner, Anna Gonda and Giuseppe Taddei. (51444, ext 2660).
Volksoper. In repertory: Die Fledermaus conducted by Konrad Leitner. Gasparone conducted by Rudolf Bibl. Der Mantel conducted by Diefried Bernet. Die verkaufte Braut conducted by Rudolf Bibl. Cosi fan Tutte conducted by Bruno Weil. Hoffmanns Erzählungen conducted by Bernet. Die Zirkusprinzessin conducted by Fabrizio Ventura (51444, ext 2662).

Berlin

Deutsche Oper. Lucia Di Lammermoor has Angela Denning in the title role, Vasile Moldoveanu (Edgardo) and George Fortune (Enrico) and is conducted by Stefan Soltesz. Performances of Wagner's Siegfried and Die Walküre produced by Götz Friedrich are sung by Anne Evans, William Pell, Eva Johansson, Reiner Goldberg and conducted by Heinrich Hollreiser. Die Zauberflöte rounds off the week.

Hamburg

Staatsoper. Don Pasquale is well sung by Hellen Kwon, Paolo Montarsolo and Kurt Streit. *Faust's Verdammis* has a star cast led by Dolores Ziegler, Keith Lewis, Franz Grundheber and Harald Stamm. La Traviata convinces thanks to Julia Varady, brilliant in the title role.

Cologne

Opera. Turandot is respectable with Olivia Stapp in the title role, Hubert Mohler (Altoum), Dieter Schweikert (Timur) and Juan Lloveras (Kalaf). Rigoletto returns with Wassili Janulako. Der Italienerin in Algier brings together John Del Carlo, Daria Brooks and Tone Kruse.

Bonn

Opera. Semiramide in Luigi Pizzi's production stars Cheryl Studer, Kathleen Kuhlmann, Jean-Philippe Lafont and Giuseppe Morino. Der Nussknacker had its premiere this week: it is choreographed by Youri Vamos and stars Marc Wenke, Massimo Acri, Joyce Cuoco, Gyorgy Szakaly, and Anna Vita in the solo parts.

Stuttgart

Staatsoper. Einstein on the Beach by Philip Glass and producer Achim Freyer is an opera with a strong combination of pictures and music. The rarely played oprtta Der Karottenkonig has Elke Estinbaum, Urszula Koszut, Ruth-Margret Putz, Jorn-W. Wilsing and Herold Krause in the main parts. Tannhäuser closes the week.

Frankfurt

Opera. Der Wildschütz takes the leads Julia Kaufmann, Ilse Gramatzki and William Workman. Rigoletto, the first new production of the season is produced by Jean-Claude Auvray and is sung by Anne Dawson, John Rawnsley, Franco Farina and Manfred Schenk. Dido und Aeneas has a strong cast led by Glenys Linos, Valentin Jar, Ulrike Sonntag, Marianne Rorholm and Graham Pushee. Also William Forsythe's Impressing the Czar.

New York

Metropolitan Opera (Opera House, Lincoln Center). James Levine conducts the premiere of Otto Schenk's production of Götterdämmerung, with Hildegard Behrens, Christa Ludwig and Matti Salminen. The week also includes Il Trovatore with Eva Marton and Giulio Cesare (362 6000).
New York City Opera (State Theatre, Lincoln Center). The week includes La Bohème, Attila, Il Barbiere di Siviglia and Mefistofele (496 0600).

Chicago

Lyric Opera (Civic Opera House). William Johns sings Tannhäuser and Nadine Secunde is Elisabeth in Peter Sellars's new provocative production conducted by Ferdinand Leitner. Anna Tomowa Sintow sings Violetta with Neil Rosenshein as Alfredo in Giulio Chazalettes's production of La Traviata, conducted by Bruno Bartoletti (332 2244).

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891). Oct 24,25, Nov 4,5,11-15.
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).
Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).
The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).
Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).
The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, CC 379 6233).
Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Utrecht

English Shakespeare Company opens its Dutch tour of all the history plays with Richard II (Tue), Henry IV, Part 1 (Wed) and Henry IV, Part 2 (Wed). Stadsschouwburg (31 02 41).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Stranger Here Myself (Public). Angelina Reaux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about a black chauffeur and his elderly, understanding mistress as the South undergoes sweeping changes that cannot help affecting them. (254 3670)
Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3679).

Chicago

Romeo and Juliet (Goodman) The new season starts with Michael Maggio's production set in the Italian section of an American city at the end of the first world war. Michael Cerveris and Phoebe Cates star. Ends Nov 5 (443 3800).

Tokyo

Kabuki (Kabuki-za). Performances at 11am and 4.30pm. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based *on a scandal that occurred in* court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle and stars kabuki's greatest showman Ichikawa Ennosuke III, who performs his celebrated mid-air stunt, floating over the heads of the audience. Excellent programme and earphone commentary in English. For details, enquire at the theatre. (541 3131)
Gorky Theatre, Leningrad in Peter Schaffer's Amadeus (Mon, Tues, Thurs), Uncle Vanya (Wed) Globe Theatre (572 6331). The Bolshoi Drama Theatre was founded in 1919 and is one of the Soviet Union's most popular and most innovative companies. Its repertoire is strong on both the classics and on new plays by Russian writers. In recent years its repertoire has been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon.
Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company, which specialises in musicals and is 35 years old this year. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists and pre-eminent sculptor of the 20th century. Ends Dec 11.
The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsmen. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy. Ends Jan 4.
The Hayward Gallery. Three concurrent exhibitions. Eisenstein 1898-1948: His Life and Work; the first major study of the career of the great Russian film-maker, Sergei Eisenstein. Nam June Paik: Video Works 1963-88 (both until Dec 11). The *Tiger Rugs of Tibet*, which are little known in the West and never shown in this way before. Ends Dec 4.

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Musée d'Orsay. Cézanne, The Early Years (1859-1872). The 68 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. The young Cézanne, fascinated by Courbet, influenced by Delacroix, Daumier and Manet, a friend of Zola and an admirer of Wagner, expresses his genius in compositions full of violence and eroticism – with the painter always the *voyeur*. The execution is daring, with sombre colours wrought into the canvas by a broad palette knife. There are portraits and self-portraits, still lives and landscapes, all pioneering modern art. Closed Mondays. Ends Jan 1.
Artcurial. Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese art and by the works of the Impressionists and of Cézanne, Matisse and Picasso. From paintings inspired by landscapes, he moves on to poetical abstracts which, from 1959 onwards, do not have titles, only dates. 9 Ave Matignon. Ends Nov 10.
Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. 5 Rue Thorgny. Closed Tuesdays.
Grand Palais. Vieira da Silva. After *Lisbon*, Paris celebrates the 80th birthday of the artist who, while born in Portugal, decided to live and work in France. Some 90 paintings are divided into four groups according to themes: scenographies, memory of *azulejos*, forms and colours as musical partitions,density and transparency of colour. Vieira da Silva shatterssurfaces into endless geometrical fragments only to recompose them patiently and rigorously, often transforming the use of traditional perspective to express her own visions. Softness is reserved for her choice of colours and for shading by gentle transitions. Closed Tue, Wed late closing night. Ends Nov 21.
Galerie d'Art Saint-Honore. Still lives in Dutch and Flemish art in the 17th century. Only the ingrained tradition of painstaking craftsmanship of the time can explain the perfection and the shining mint condition of the paintings assembled by Monica Kruch. There is Jan Brueghel the younger offering his bouquet of flowers in a celadon bowl, while Andries Danielz places his in a sculpted vase and AbrahamMignon in a transparent round one, the globe of which reflectsthe studio's multipanelled window. 267, Rue Saint-Honore. Closed Sat, Sun and lunchtimes. Ends Nov 18.

Martigny

The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portaits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous Arlesienne and landscapes with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' *ballet dancers*. Ends Nov 6.

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Frankfurt

Disegno Italiano. The Museum tries to portray the Italian cultural history of the 20th century with 130 paintings by 78 different artists. The works are divided into four different periods between 1908-1988. The first section is pre-1914. The second part is devoted to the Futurism of artists Umbert Boccioni, Carlo Carra and Gino Severini. The third is the Pittura Metafisica reaction against Futurism. Carra and Giorgio de Chirico are leading examples of the painters. The fourth section "Return to origins", traces the development from the first world war generation back to traditional Italian painting. Städelsches Kunstinstitut, Schaumainkai 43. Ends Nov 6.

Vienna

Museum of Modern Art/Museum of the 20th century. Works by Oswald Oberhuber, one of Austria's finest artists. Ends Oct 26.
Albertina. Exhibition of drawings by Alfred Hrdlicka, considered to be one of Austria's most controversial artists who managed to divide public opinion on plans by the City of Vienna to (*finally*) build a memorial to those who fought in the resistance during the Second World War. Besides being wonderfully *outspoken* in a country which habitually prefers public consensus and runs shy of its more immediate past, Hrdlicka is best appreciated for his sculpture. Ends Nov 30.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophagi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Many of the 1,300 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Ferrara

Palazzo dei Diamant. Treasures from the Ghetto. A remarkable collection of precious objects in gold, silvers and textiles, connected with the Jewish religion, the *nucleus of which comes from* the Hebrew museum and synagogue in Prague, home of a large Israelitic community from the 10th century onwards. A large part of the objects on show were requisitioned by Hitler and were to have formed the basis of his unrealised Museum of an Extinct Race. Until Jan 15.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty into sacred art. His depictions of the Virgin Mary have looks and temperament which recall Thomas Hardy's tragic heroines. The paintings come from major Italian and foreign museums. Many have been restored for the occasion (such *as the remarkable* Massacre of the Innocents), and some have not been on public display for many years. The Triumph of Job (also newly restured) had been hidden in the right-hand bell-tower of Notre-Dame in Paris since 1797. Until Dec 5.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.
Metropolitan Museum. The first major Degas retrospective in more than 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.
Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut.
David Nolan Gallery. Another interesting show from a lively Soho gallery that specialises in European artists. Early works by Joseph Beuys trace the development of the German artist from fine loopy drawings in the 1950s to the characteristic and enigmatic fats and melting chocolates of his later work. Photos of the artist and artifacts of his teaching career are worked in for an enlightening personal view. 560 Broadway. (925 6190).

Chicago

Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 280 objects and major paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development, divided into sections on draughtsmanship and architecture. The nearly 100 drawings include studies of the Sistine Chapel ceiling and his two major architectural projects, the facade of the church of San Lorenzo in Florence and the drum and dome of St. Peter's Basilica in Rome. Ends Dec 11.

Tokyo

Tokyo National Museum. Japanese Archaeology: History and Achievements. Over 300 exhibits tracing the history of archaeology in Japan, from the time when an American scholar spotted a shell mound near a Tokyo railway station in 1907 to some spectacular finds of recent years, which have overthrown many of the cherished theories about Japanese civilisation. These include part of a hundred-faced bronze mirror, which an ancient Chinese chronicle says was sent to one of the earliest known rulers of Japan. Closed Mondays.
Hara Museum of Contemporary Art, Shinagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil. Closed Mondays.

هذا امنا الأصل

CINEMA

Year of the body swap

BIG
Penny Marshall

THE FRUIT MACHINE
Philip Saville

YEELEN
Souleymane Cisse

ALICE
Jan Švankmajer

THE DAWNING
Robert Knights

THE HOUSE ON CARROLL STREET
Peter Yates

Coming now, to a cinema near you – "Invasion Of The Body Swappers."

Wonder at the tale of a child's mind in a man's body. Marvel at the way Hollywood is telling this tale over and over again. And goggle at the similarities between *Vice Versa, 18 Again, Like Father, Like Son* and *Big*. Can *you* tell them apart?.

I barely can. The moving finger of cinema has writ: this is the year for grown-up people wanting to be young, for young people wanting to be grown-up, and for both to have their wishes granted by the magic of Hollywood.

Big is the trend's biggest hit so far and on balance deserves to be. Cleaning up at the US box-office ($100m to date), it has all the wit and vitality that its rivals mostly lack. When 12-year-old Josh Baskin has his dream to be "big" granted by a fairground wishing-machine, who *should he turn into but* Tom Hanks (of *Splash*): six foot tall, 30-looking and agog at his morning image in the mirror. (Let alone at what is revealed by a nervous peek inside his pajama trousers.)

This being a movie, our hero no sooner throws himself on the world than he becomes marketing Vice-President of a toy firm. His tendency to giggle, play with model robots and dispense crackpot brainwaves during board meetings wins him a "boy wonder" reputation with the Boss (Robert Loggia) and gets gooey eyes from a manhunting colleague (Elizabeth Perkins). Only problem regarding Ms P's yen for Mr H: our hero believes "sleeping together" means "sleeping over" (in separate bunks), thinks kissing is cissy, and considers late-night trampolining more fun than candlelit dinners.

Penny Marshall's direction and Gary Ross and Anne Spielberg's script both seize up in the last reel, thickened by sentimentality. But before then the movie has a runaway charm. Scenes of dryly zany social comedy abound: from the swelling murmur of "Check please" from clients in a soda fountain where Hanks is acting his mental age, to the moment when our hero flicks off a cops-and-robbers TV show in his ghetto-land hotel only to hear worse gunfire and mayhem outside his window. And Hanks himself, face tousled, gestures akimbo, two bug eyes loudly beaconing the child inside the man, proves himself Hollywood's most elastic funny-man since Jack Lemmon.

★

Body-swapping takes another, more frightening form in Britain's *The Fruit Machine*. The brain of a demented infant appears to have invaded the body of screenwriter Frank Clarke (of *Letter To Brezhnev*). Our Merseyside scribe has taken a pen, or perhaps a crayon, or perhaps a stick of Mum's lipstick, and scrawled the most truly crazy film of this – or any recent – British movie year.

Two gay teenagers in Liverpool (Emile Charles and Tony Forsythe) see nightclub drag-queen Robbie Coltrane killed one night by a machete-wielding psycho, and are seen in turn by him (the psycho). What to do but flee to Brighton in the company of debauched gay concert tenor Robert Stephens? Once there, Forsythe can keep Mr S happy by syphoning off his lust, while Charles goes to the Aquarium to try and save the dolphins. We are asked the following questions. In this mad, bad world can the two boys survive? Will they brave the slobberings of Mr Stephens, the sharp instruments of the pursuing sicko and above all the assault-by-symbolism of the movie itself? (Helpful key for filmgoers. Dolphins equal trapped homeless creatures equal *the two boys. Sicko sym*bolises the unreasoning hostility of the anti-gay outside world.)

I spent most of this movie paralysed by incredulity. Then I started mentally writing an adverse review. Then I gave up and decided, if you can't beat the kitsch, you might as well join it. *The Fruit Machine* has so much exuberance that you end up forgiving it its imbecilities. Director Philip Saville washes the screen in lollipop colours, coaxes overacting from everyone in sight and throws in fantasy sequences worthy of Esther Williams. (When you've tried everything else, why not have Mr Charles skinny-dipping among the dolphins?).

Only in Liverpool, where the quality of Mersey is not strained, do we have any sense of real place or real people. But by the end of 100 minutes, you realise reality is not what the film is after, more a "fairy tale" in every sense of that phrase. In the age of Clause 28, more power to its parable, more clout to its crusading kitsch.

★

Souleymane Cisse's *Yeelen (The Light)* comes to us from Mali via the Cannes Film Festival, where it won the Special Jury Prize. It is already being hailed as the first masterpiece of African cinema.

Shot in dazzling images of dawn gold and dust-grained light, it is hieratic, stately, mysterious. For non-Africans it is also at times like watching a ballet from Outer Space, performed underwater without subtitles. (The film *has* English subtitles, but do not expect them to supply general enlightenment).

The tale itself is simple, even archetypal. A tribal shaman's son (Issiaka Kane) struggles to find wisdom, journeying through the lore and landscapes of his country, and ends up in an Oedipus-like, life-or-death confrontation with his father. But the deeper nitty-gritty of creeds, superstitions and rituals remains secure within the oyster of a hermetic cultural tradition. Magic totems, decapitated hens, guano-spattered statues, and lines like "Bring me a horse's right leg-bone and I'll see what I can do" provide a disorienting blend of exoticism and perplexity.

My advice: open wide the eyes and mind and allow Cisse's astonishing screen pictures and performances – the actors seem sculpted from the landscape, their dialogue hammered from the wind – to come to you and implant their own meaning. In a modern cinema where stylisation and sculpted gesture are not the sole prerogative of Africa, there are even times when *Yeelen* does not seem worlds away from *Distant Voices, Still Lives*.

★

Jan Svankmajer's *Alice* seems worlds away from Lewis Carroll. But who save a dyspeptic purist would rail against the Czech animator's hijacking of the Wonderland and Looking-glass tales? Holding the two books at gunpoint, he orders them to fly to Surrealism-land, East Europe, and to recompose themselves as a nightmare *jeu d'esprit*.

The white rabbit is a snaggle-toothed creature leaking sawdust; the dormouse builds a bonfire in Alice's hair; the March Hare eternally butters watches. Meanwhile things come alive that should not. Raw meat crawls out of saucepans, socks dance through holes in the floor, bread sprouts 6-inch nails.

"Curiouser and curiouser" is understating it. But the movie, using animated models and Svankmajer's familiar bric-a-brac, has a delicious grim comedy, as if Samuel Beckett had got together with Jim Henson of the Muppets. See and savour.

★

The week's stretcher cases are *The Dawning* and *The House On Carroll Street*. The first is a British movie crossing the "Anyone for croquet" school with that of "Oh gosh, the storm clouds of history are closing in." Southern Ireland, 1920. Young girl from rich family (Rebecca Pidgeon) befriends Irish nationalist (Anthony Hopkins) running from law. Meanwhile, Aunt Jean Simmons and Grandad Trevor Howard purr and rumble disquietedly in the handsome Georgian pile on the hill. Based on a Whitbread Prize-winning novel by Jennifer Johnston, the movie as directed by Robert Knights seems unlikely to win any prizes save for corset-stiff mise-en-scene and decorous vacuity. The music by Simon May is the worst I have heard since I was last in a hotel lift.

The House On Carroll Street, set in 1950s New York, is a pseudo-Hitchcock thriller that goes off at half-cock. Peter *(Suspect)* Yates directs the tale of a beauteous young idealist (Kelly McGillis) who rebounds from a Senate Committee wigging to sleuth out Nazi goings-on in a house down the street. Is the slimy Senate investigator (Mandy Patinkin) himself involved? Will the virile young FBI man (Jeff Daniels) who is shadowing her help her? And can we get all the characters into Grand Central Station for a nailbiting showdown?

Yes to everything. The only "no" should have been uttered much earlier on, when this tired old potboiler, scripted by Walter *(The Front)* Bernstein, was first put up for funding.

Nigel Andrews

Budgie

Michael Coveney writes: in my review of *Budgie* earlier this week I erroneously attributed the book of *Billy*, an earlier musical, also with lyrics by Don Black, to Keith Waterhouse and Willis Hall, the writers of *Budgie*. In fact, they wrote only the novel, *Billy Liar*, on which Dick Clement and Ian Le Frenais then based the libretto of the *Billy* musical.

Julius Caesar and Creon

HAYMARKET THEATRE, LEICESTER

The scene most certainly shifted to Leicester on Wednesday, where a distinguished audience including poets Stephen Spender and Tony Harrison, director Lindsay Anderson, impresario Robert Fox, and Arts Council Chairman elect Peter Palumbo, convened for the opening of two related productions by John Dexter in the Haymarket Theatre.

Both *Julius Caesar* and Spender's conflation of Sophocles' three Theban tragedies, *Creon*, analyse political systems undermined by individuals hubristically casting themselves as saviours of the state in the name of democracy. Brutus and Cassius mistake a benign autocracy for repressive tyranny, while Creon refuses rites of burial to the rebellious Polyneices and, by sticking to the letter of the law, promotes whiplash retribution and political instability.

Dexter's meticulous staging on a bare skeletal design by Jocelyn Herbert shows that such plays do not have to be pinned to a specific period in order to burn with a pertinently raging fire. The issues are the same for all individuals in all societies. The elegant austerity of the presentation, complamented by Andy Phillips's expert illumination with its "exhalations whizzing in the air" for *Caesar* and its "flashing of reiterated lighting" in *Creon*, makes for an attractively restrained spectacle of urgency and decorum.

When the Spender trilogy was given in Oxford five years ago, Creon emerged as the central figure in the Oedipus plays and *Antigone*. In this new version, Spender has retained very little of *Oedipus Rex*, just a narrative flashback inserted into *Oedipus at Colonus*, itself parenthesised by the political confrontation between Creon and Antigone. It is a brilliant editorial treatment, placing Creon's tragic intransigence in sharp contrast to the melodious transfiguration of the half-masked, dying Oedipus.

Jocelyn Herbert's mask designs are more emblematic than for Peter Hall's NT *Oresteia*. They starkly decorate the scaffolding, and are held in magnified form on poles by the Chorus who jump out from behind them when intonations soften and Stephen Boxer's beautiful music encourages skilfully harmonised intermezzi.

The ensemble work is better than anything seen lately at the National or RSC, ditto the diction. The veteran stylist Robert Flemyng is a tetchily paternal Caesar and a frail old Oedipus, and an energetic new young actor Martin McKellan claims Mark Antony as of right and exploding memorably as a begrimed and brigandish Polyneices.

Joseph Marcell continues his march to the front rank as a susceptible and practical Brutus and a harshly martinettish Creon, perhaps sacrificing something of Creon's plausibility to emphasise his misogyny and "law and order" fetish. Stephen Boxer doubles a persuasively devious Cassius with key Chorus duties and a brief glimpse of Oedipus at Thebes.

Tamsin Olivier as Antigone ("Still the same fury raging through her veins/ As once raged through her father's") turns grief to anger in a vocally precarious but physically remarkable dance of death, long hair swirling, neck and hands clamped in the stocks. Good work, too, from such notable new names as Jacqueline Dankworth (inheriting her mother, Cleo Laine's, beauty and musical gift); Delaval Astley, croakily idiosyncratic as Octavius, stalwart in the Chorus; and Philip Brook, a utility performer of distinct personality.

Spender's translation is sinewy and speakable, based on an iambic pentameter line, but without the flavoursome alliterations and slangy spring Tony Harrison gave his *Oresteia*. It is just right for Dexter's purpose, and matches the sculpted dignity of *Caesar* which is enacted through and around two dozen onstage paying customers.

Other neat touches include the statuesque procession to the Senate, and the blood-stained chests and red gloves of the conspirators, which seem to forge yet more hieratic links with the conventions of Greek tragedy.

Julius Caesar and *Creon* play at Leicester until November 5, then to the Belfast Festival before embarking on a two-month British Council sponsored tour of India in the New Year.

Michael Coveney

Tamsin Olivier as Antigone

Cheek by Jowl's The Tempest and Philoctetes

The theatre at Bury St Edmunds which saw the world premiere of *Charley's Aunt* played host to Shakespeare last week and might have recognised certain elements, notably the baggy-trousered knockabout comics that director Declan Donnellan has made of Stephano and Trinculo; for this is the constantly inventive Cheek by Jowl company, and stand-up music-hall interpolations are the least startling of their innovations.

This production is an exploration of the nature of theatricality, and perfectly in keeping with the vision of Prospero as arch-showman, Svengali, *manipulator and magician*. The stage contains a piano, drums, a costume-rail, a skip and a dressing-room table with make-up. Actors stroll on in ordinary clothes, jump off the stage and chat to the audience. Some bang away on stage in a jam session with Duncan Duff, who appears in the company's production of *Philoctetes* as a dimly-lit but naked Hercules, on the saxophone. His Caliban is confined to a scruffy waiter's garb in which he sloshes tea in Prospero's face, a mutinous lout more funny than threatening, and kept in check by magically-induced torments rather than the innate superiority of his master.

The play proper begins with the actors miming and humming up a storm on the bare stage. A directorial figure in dark glasses arranges them in place, and to reiterated cries of "We split!" flails the air with his staff. At the height of the excitement an actress leaps on to the skip with the words "My dear father" – and we are on the island.

The director whips into the costume rail and pulls on Prospero's clothes. During his exposition his pulls various actors forward as if casting them; at "his only heir" he tosses Miranda's rich dress to the actress who drowsily murmurs Ariel's first lines as she falls asleep. These are taken up by various actors until the eventual player of the part advances, almost trance-like, as if taken over by the role.

Strikingly we have a Queen of Naples, not a King, whom Anne White makes into a handbag-toting well-coiffed Thatcher figure surrounded by a morning-suited male entourage in her capacity as token man. This leads to some uncertainty as to whether we are meant to grieve with the bereaved parent, especially as Ferdinand (Lloyd Owen) emerges as a bewigged, powdered Restoration fop.

As ever with Cheek by Jowl nothing is taken for granted. Newcomers to the play, and to Shakespeare, will find it fun. Much of it is exhilarating. But I have a sneaking suspicion that cleverness for cleverness' sake is the company's besetting sin. Theatricality is one of the themes of *The Tempest*, but there are others, here gracefully skimmed over. That said, Timothy Walker makes a marvellous director-Prospero, positively villainous at times, thanks to hollow red-eyed make-up, a profile that recalls Olivier's Richard III, and trousers rolled up to the knee that make him a distant cousin to a Beckett tramp. Keith Bartlett and Michael Jenn are the clowns, a cross between panto slapstick and the Crazy Gang, and apart from a fitfully audible Miranda the cast is as polished and energetic as the production demands.

★

Sophocles' slightly sardonic (or so it now seems) fable of pride, honour and political expediency was staged at the National Theatre some years ago without much impact. The financial result of winning the LWT Plays on Stage competition enables the company Cheek by Jowl to add the 80-minute play to their repertoire. A Saturday matinee in Bury St Edmunds found a medium-sized audience raptly attentive for Declan Donnellan's modern-dress production.

Nick Ormerod's design is overhung by an Attic shield, but the stage itself is littered with crates and the oil-drums over which a sail has been slung to provide Philoctetes' cave. The outcast himself is played with roaring intensity, a misanthropic lion at bay, by Keith Bartlett.

He is the Greek warrior whose festering wound and groans of pain led him to be marooned by his disgusted comrades. Years later they need him again; or rather they need the magic bow and arrows given him by Heracles, with which, it is prophesied, they can conquer Troy.

Young Neoptolemos, son of Philoctetes' old friend Achilles, is sent to trick the embittered outcast back. Paterson Joseph conveys the bewildered boy's conflicting principles: honour and honesty, a loathing of duplicity, on the one hand; and duty, personified by Charlie Roe's duplicitous Odysseus, a smooth-tongued commanding officer in white naval uniform, on the other. The latter is Eliot's "horizontal man," the archetypal trimmer: "I make myself the man each occasion demands." Presented with the prospect of return, the castaway refuses and it takes the manifestation of Heracles to persuade him back with the promise of health and fame.

Mr Paterson's quick, naturalistic delivery is very effective – when sufficiently projected. The chorus, in naval white, avoids camp; and Paddy Coneen's music contradicts the constantly lurking suggestion that we are about to launch into *South Pacific*.

To balance the fizzy Shakespearian inventiveness in *The Tempest*, *Philoctetes* is presented in the company's other main style: sober, thoughtful clarity. Now sponsored by British Commonwealth PLC, Cheek by Jowl will tour both as far afield as Singapore and Perth. Before that, Brighton, Cambridge, Basildon, Winchester and Coventry before opening at London's Donmar Warehouse on November 23.

Martin Hoyle

Shostakovich

FESTIVAL HALL, RADIO 3

An autumn which sees major concert series on the South Bank devoted to Schoenberg, Bartok, Reich and Beethoven's contemporaries can hardly be dismissed as dull. But it's arguable that the most rewarding of all such current thematic programming will prove to be "Music from the Flames," the comprehensive Shostakovich survey shared between the South Bank and the Barbican and promoted jointly by the Royal Philharmonic and London Symphony Orchestras. It may have been burdened with a supremely fatuous title, but without such an umbrella it is highly unlikely that the RPO would have presented the kind of enterprising programme that Vladimir Ashkenazy conducted on Wednesday.

None of the works included is commonly encountered; they belong to the bulk of Shostakovich's music outside the familiar handfuls of symphonies, concertos and quartets that define his popular image. In its original guise, though, the Chamber Symphony in C minor Op.110a is familiar, for it is an expansion for string orchestra of the Eighth String Quartet. Much of the nervy obsessiveness is lost in the orchestration, and the parade of self-quotation becomes less an anguished trawl through forgotten nightmares than a dreamy nostalgic exercise. With genuinely incisive string playing it might preserve some of the quartet's muscularity, but the RPO's form was relaxed, and Ashkenazy was content to draw his effects with a broad brush rather than any finer line.

In the Second Cello Concerto too some of the more sensitive nerve-ends were dulled; Yo Yo Ma presented the solo line immaculately yet rarely dug deep, and what is one of Shostakovich's most original formal structures was made to seem thoroughly regular. But Ashkenazy caught the paradoxes inherent in the form of the Sixth Symphony well – the depths of the profound opening movement were thoroughly explored, and the succeeding pair of allegros were brittley precise.

Andrew Clements

ARTS GUIDE

October 21-27

MUSIC

London

Beethoven Plus is a series of concerts between September 18 and December 10 which set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries also featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).

City of London Sinfonia, conducted by Ian Watson. Handel, Mozart, and Vivaldi. Royal Festival Hall (Fri) (928 3191; cc 928 8800).

English Chamber Orchestra, conducted by Steuart Bedford, Allan Schiller (piano), and John Wallace (trumpet). Mozart, Pachelbel, Haydn. Barbican Hall (Fri) (638 8891).

Maurizio Pollini, (piano). Brahms, Schoenberg, Beethoven. Royal Festival Hall (Sat) (928 3191; cc 928 8800).

London Symphony Orchestra, conducted by Lawrence Foster, Alfred Brendel (piano), Beethoven. Barbican Hall (Sat) (638 8891).

Steve Reich and Musicians, with Mort Silver (clarinet). Royal Festival Hall (Sun) (928 3191; cc 928 8800).

Puccini Gala Night. London Concert orchestra, London Concert Orchestra Chorus. Barbican Hall (Sun) (638 8891).

Vivaldi Festival. London Soloists Chamber Orchestra, English Chamber Choir. Queen Elizabeth Hall (Mon) (928 3191: cc 928 8800).

Halle Orchestra, conducted by Stanislaw Skrowaczewski with Vladimir Ovchinikov (piano). Tchaikovsky, Prokofiev, and Stravinsky. Royal Festival Hall (Tue) (928 3191; cc 928 8800).

Royal Choral Society, with the English Chamber Orchestra. Mozart, including Requiem. Royal Festival Hall. (Wed) (928 3191; cc 928 8800).

Monteverdi Choir, Silver Jubilee Season. English Baroque Soloists, conducted by John Eliot Gardiner, with Nigel Robson, Mark Tucker, Stephen Varcoe. Carissimi and Bassano. Queen Elizabeth Hall. (Thur) (928 3191; cc 928 8800).

Paris

Cecilia Gasdia, soprano, Marcello Guerrini, piano. Mozart, Donizetti, Verdi, Rossini. Theatre de L'athenee. (Mon) (47426727)

Fine Arts Quartet. Debussy, Rachmaninoff, Beethoven. Salle Gaveau. (Tue) (45626971)

Ensemble Intercontemporain, conducted by Pierre Boulez. Messiaen. Theatre des Champs Elysees. (Wed) (47203637)

Inger Soedergren, (piano). Mozart, Beethoven, Brahms, Franck.Salle Gaveau. (Wed) (45626971)

Orchestre de Paris, conducted by Herbert Blomstedt, Gil Shaham (violin). Weber, Mendelssohn, Nielsen. SallePleyel. (Wed, Thur) (45638873)

Frankfurt

Württemberg Chamber Orchestra and Mstislaw Rostropovitch (cello), conducted by Jorg Faerber. Haydn, Mozart and Respighi. Alte Oper (Fri).

BBC Philharmonic Orchestra and Dmitry Sitkovetsky (violin), conducted by Edward Downes. Mozart, Prokofiev and Tchaikovsky. Alte Oper (Thurs).

Berlin

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Brahms. Philharmonie (Sat, Sun).

Amsterdam

Netherlands Philharmonic conducted by Gilbert Varga, with Cristina Ortiz (piano). Schumann, Schubert. Concertgebouw (Tue).

Netherlands Philharmonic, with the Royal Christian Oratorio Society, the St Bavo Boys' Choir and soloists. Britten, Mozart. Concertgebouw (Thur).

Peter Frankl (piano), Gyorgy Pauk (violin) and Ralph Kirschbaum (cello). Mozart, Brahms, Beethoven. Recital Hall (Wed) (718 345).

Utrecht

Netherlands Philharmonic Orchestra conducted by Gilbert Varga, with Cristina Ortiz (piano). Schumann, Schubert Vredenburg (Mon).

Rotterdam Philharmonic Orchestra conducted by Andrew Litton, with Andre Watts (piano). Beethoven, Vaughan Williams. Vredenburg (Thur).

Rotterdam

Ton Koopman, Bach organ recital. Doelen Recital Hall (Mon).

Netherlands Wind Ensemble. Krommer, Janacek, Dvorak. Recital Hall (Tue).

New York

Pinchas Zukerman, violin recital, with Marc Neikrug (piano). Brahms programme. Carnegie Hall (Tue) (247 7800).

New York Philharmonic conducted by Andrew Davis, with *Mitsuko Uchida (piano)*. Beethoven, Strauss (Tue); conducted by Raymond Leppard with Ida Haendel (violin). Handel, Dvorak, Britten (Thur). Avery Fisher Hall, Lincoln Center (799 9595).

The Fischer Duo. Beethoven, Nadia Boulanger, Robert Sirota, Elliott Carter, Chopin. Merkin Hall (Wed) (362 8719).

Washington

National Symphony conducted by Gunther Herbig, Viktoria Mullova (violin). Brahms programme. Concert Hall, Kennedy Center (Tue) (254 3776).

Chicago

Moscow State Symphony conducted by Yevgeny Svetlanov. Tchaikovsky, Svetlanov, Rachmaninov. Orchestra Hall (Mon) (435 8122).

SALEROOM

Phillips record for stamp

The prize in a frenzied day in the salerooms must go to Phillips, which achieved a record price for an individual stamp sold at auction in London of £104,500. It was paid by an Italian collector for a Neapolitan stamp, a half tornese, issued in 1861, which happens to be black rather than the intended green. Its top estimate had been £8,000, so two avid collectors were obviously after it.

In contrast Christie's had a major disappointment in New York on Wednesday when its well promoted diamond, a stone of 407 carats and the second largest ever fashioned, was unsold at $12m. The unsuccessful bid came from a Geneva dealer in the room but it did not match the $15m low estimate placed on the diamond by its owners, who were offering the biggest stone ever to come up for sale; the largest known diamond, the Cullinan I, had been broken up soon after it was mined in 1907, with the two principal gems being presented to King Edward VII.

This apart, Christie's had a good auction with a total of $26.8m for jewels, with five lots exceeding $1m. The highest price, $5.56m (£3,177,429) was paid by a Saudi Arabian for an unmounted pear shaped diamond of 59 carats.

The demand for contemporary art is quite extraordinary at the moment with London rivalling New York as a market place. Sotheby's sale yesterday was not its most brilliant but it raised over £1.5m, with just 2 per cent unsold. One happy artist was Patrick Heron: an abstract, rather in the style of Rothko, painted in 1958 and entitled "Lux Eterna," sold for £28,600, an auction record for him.

"Falling," a photo montage by Gilbert & George, showing the odd couple in ten poses, went for £38,500, bought by their dealer Anthony d'Offay, while a Frank Auerbach sold within astimate for £20,900. Top price in the auction was the £83,600, as against a £35,000 *top estimate*, which secured "Composition I," an oil of red, black and white by Jean-Paul Riopelle.

In the Sotheby's book sale "A selection of Hexandrian plates," a first edition of 1831-34 by Priscilla Bury, with 51 plates, went at the top of its estimate of £33,000 to an American dealer, and Schuster of London paid the same price for "Flora Universalis" with 4,550 plates by the 19th century German botanist, David Dietrich.

There was an artist auction record price at Sotheby's Chester of £30,800 for Henry Melling's "The Grand Regatta of the Royal Mersey Yacht Club."

Antony Thorncroft

FINANCIAL TIMES
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Too grudging on Clowes

The decision by Lord Young, the Secretary of State for Trade and Industry, to shrug off responsibility for the losses incurred by investors in the Barlow Clowes affair is certainly in tune with Thatcherite self-help ideology. It is also politically risky, since it does nothing to satisfy those Tory MPs whose constituencies are well stocked with elderly Conservatives for whom retirement has been soured by putting too many eggs in a very dubious basket. Whether it is right is far more doubtful; for the facts unearthed by Sir Godfray Le Quesne on the Department of Trade's handling of the affair do not in themselves lead to a single, simple conclusion.

No doubt Sir Godfray will be accused of undue charity in his interpretation of the actions of officials and ministers. But what emerges very clearly from his report is that a case can indeed be made that the judgements at each stage in the saga were not unreasonable in the light of circumstances at the time.

Obvious error

The one obvious error made by the Department was to discourage Barlow Clowes in 1975-76 from seeking a licence to deal in securities. But had such a licence been granted it is questionable whether it would have made any difference. On the introduction of new, tougher financial monitoring requirements for licensed dealers in the 1980s, the firm would have had to submit its first return at the end of 1984. In the event a much later application for a licence resulted in a return being submitted only a few months later in July 1985 and it carried a clean bill of health from auditors Spicer and Pegler.

As for the Department's decision not to prosecute Barlow Clowes when it was clear that the firm was trading illegally, it was perfectly understandable from the point of view of protecting existing investors in the group. Because the firm was constituted as a partnership, the Department had no powers to investigate, to apply for a winding up order or to intervene to protect investors' funds if a licence was refused. By licensing the firm and insisting that all new business should be done by a corporate entity, the operation was drawn into a wider regulatory net. Throughout, ministers and officials had to consider whether draconian action would not have been more harmful to investors' interests because it might have dented confidence, thereby precipitating the firm's collapse.

Where the Gibraltar-based offshore investment operations were concerned, the Department received no complaints or inquiries that might have alerted it to the fact that Barlow Clowes International was dealing direct with customers in Britain and should therefore have been licensed.

Much needed overhaul

On this narrow basis the government has concluded that no compensation should be paid to investors in the UK or offshore funds, who are anyway respectively expected to receive 75p and 30p in the pound. And there are legal remedies open against the auditors and the financial intermediaries. But those remedies are academic for the elderly. And there is a wider argument for some compensation, if not in full.

The fact is that successive governments baulked time and again at a much needed overhaul of the Prevention of Fraud (Investments) Act 1958, which is only now complete. Successive ministers failed to provide adequate resources for the regulatory functions of the department and chose to place excessive reliance on outside advisers. There was enough that was both well known and murky in the background of Barlow Clowes to put officials on alert. Given what they knew about the firm, they should surely have been more active in monitoring all *its* activities instead of waiting for the complaints on the offshore operations to roll in. And the position of a UK licensed dealer operating an offshore fund was genuinely confusing to any average investor.

In short, there is a moral case for the Department to pay up now, without waiting for the Ombudsman.

Mr Lawson's blip

MR NIGEL LAWSON, the British Chancellor, last made his annual speech at the Mansion House on 4th November 1987, immediately after the stock market crash. He spoke comforting words about the ability of the world economy to get through this little problem – and has turned out to be quite right. He must have presumed that, once the threat to the world economy had been surmounted, little else would trouble him, least of all purely domestic problems. But he would have hoped in vain.

There have been no fewer than 14 base rate changes since his 1987 Mansion House speech. Far worse, there was the vigorous (and unresolved) dispute over exchange rate policy with the Prime Minister, a dispute that brought to an end the policy of shadowing the EMS. Making the best of a bad job, Mr Lawson asked us to look at actions, not words.

Given the massive overshoot of his remaining monetary target, M0, and the obscurity into which exchange rate policy has now fallen, words are, indeed, a problem. But they cannot be avoided. So how should one judge the words of yesterday evening on the conduct of macroeconomic policy in the UK?

Exchange rate

The principal monetary policy instrument, base rate, is at last at what seems to be a sensible level. What is disturbing, however, is the Chancellor's failure to say anything about the exchange rate. One would have expected to see reiteration of a firm intention to avoid a depreciation of sterling. In the absence of such a statement, he invites loss of confidence in the currency market, which could render meaningless his soothing words on the manageability of the current account deficit.

The Chancellor repeats the general policy on full funding of the public sector debt repayment. (The Chancellor proposes the hideous neologism of the "unfund", but "full retirement", with overtones of disappearance of the gilt market, seems more attractive.) The monetary effects of failure to retire debt at the rate allowed by the public sector debt repayment fall largely on the yield curve, with the smaller the retirement the flatter the curve. There are strong arguments for the current steeply-inverted yield curve, which imposes the greatest squeeze on those (above all households) whose cost of borrowing is determined by short term rates of interest. Meanwhile, it offers an opportunity for firms to go on borrowing at relatively low long term rates of interest in the rapidly expanding Euro-sterling market.

Debt repayment

The Chancellor also allows us a glimpse into the future of fiscal policy. A public sector debt repayment of some £10bn is widely anticipated this financial year. The Chancellor remarks that he intends "to see that there is a substantial surplus next year, too". In this way the target of a budget balance enunciated only last March disappears into history in a piece of closet, *but in this* case appropriate, Keynesian fine-tuning.

But this is far from the only Keynesian feature of the speech, in which the emphasis is not on rules – whether for monetary aggregates, nominal demand or the exchange rate – but on forecasts of the current account deficit (not expected to be reduced significantly until 1990) and the real rate of growth (expected to be below trend for a year or two). Closet Keynesianism is perhaps inevitable when there has been a strong clash between the two different monetarisms of the Treasury and Downing street, but it is disturbing.

If the UK has a fine-tuning Chancellor, precedent suggests that there is good reason to be worried, since demand is growing too fast. Indeed, in a traditional Keynesian perspective a sharp recession and higher inflation than anything now admitted look in the offing. Unfortunately, the forecasts Mr Lawson offers are not necessarily more reliable than those at the time of the Budget, while the policy cupboard is remarkably bare. It will need a great deal of luck for the Government to get through the next year or two with no more than a "blip" in either the economy or its reputation.

The opportunity of an Abbey Life-time

David Lascelles, David Barchard and Nick Bunker analyse the link between Lloyds Bank and Abbey Life

LLOYDS

57%

LLOYDS ABBEY LIFE

Insurance	Abbey Life	Black Horse Life
Number of staff	2,260	400
Self employed sales staff force	3,200	N/A
Statutory surplus	£48m*	£0.5m*
Branches/ regional offices	90	15
Regular premium sales	£93.1m*	£22.6m**
Annual Mortgage advances generated	£1bn* (approx)	N/A

* 1987 ** 11 months to Aug 1988

100% — **Lloyds Bowmaker**: Pretax profits 1987 £71.8m; Net advances year end 1987 £2,168m

100% — **Black Horse Agencies**: Pretax profits 1987 £8.2m; No. of branches 13/10/88 536

100% — **LBIS**: Pretax profits 1987 £47.9m; No. of regional offices 30

100% — **LBUTM** (incl. LB (CI) UTM): Pretax profits 1987 £3.6m; Total funds under management 14/10/88 £853m

"A MARRIAGE of skills, a quiverful of opportunities, a bigger bag of knitting." The architects of yesterday's £1.15bn tie-up between Abbey Life and Lloyds Bank were not lost for words in describing its benefits. But will it work?

The agreement certainly has logic and appeal: one of the UK's largest banks is pooling resources with those of one of its most successful life insurance companies to form a widely varied financial group covering most things from estate agency to unit trusts. Lloyds is to get 57 per cent of the shares of a newly renamed Lloyds Abbey Life, in return for handing over five of its own financial services businesses to the insurance company.

The logic is enhanced by the rapid changes which are going on in the UK financial services market: banks, insurance companies and finance houses are losing their traditional identities, market and product barriers are falling, and competition is forcing new attitudes, particularly in banking.

But yesterday's proceedings were also marked by a distinct air of caution. Both Mr Brian Pitman, Lloyds' chief executive, and Mr Michael Hepher, his opposite number at Abbey, studiously avoided using a phrase that must have flashed through many minds at the news conference: financial supermarket.

Lloyds Abbey Life may mark the birth of a new creature on the UK financial scene, but such high-flown claims were not being made for it yesterday. Instead, it was acknowledged that the differing cultures of banking and insurance will take some time to bridge. One had only to contrast the snappy, dark blue suits of the marketing-minded Abbey Life men with the homelier grey outlines of the clearing bankers to see what they meant.

Despite their differences, though, a good part of the logic for the deal stems from the personalities of the two institutions. Both Lloyds and Abbey are noted for strong profit consciousness, and a readiness to challenge accepted notions in order to get ahead.

This is particularly striking at Lloyds. Under Mr Pitman, Lloyds has nursed its resources so carefully that it has not needed a rights issue at a time when the other clearers have had to touch their shareholders for billions of pounds.

Lloyds was also the first clearer to enter the estate agency business more than five years ago, and with it the huge market for housing-linked financial services: mortgages and insurance. "I believe the test of market leadership is the rate of innovation," said Mr Pitman yesterday.

Several factors, he said, underlay his conviction that banks should develop their insurance interests:

- The insurance market is growing faster than banking
- A bank's branch network and large customer base gives it a substantial advantage in the insurance market
- Research showed that Lloyds' customers would be willing to buy insurance from it
- The stock market values the insurance industry more highly than banking.

Another factor that must have weighed in the balance was Lloyds' decision – unique among the clearers – not to get involved in the securities business at the time of Big Bang in 1986. This left it to seek other avenues for growth. Its relatively small size (Lloyds is the smallest of the Big Four) and its limited expertise in insurance put it in need of a partner.

Abbey Life was founded in 1961 by two entrepreneurial South Africans, Sir Mark Weinberg and Mr *Sydney Lipworth*. The company's striking success, which has made it number two in the UK unit-linked life insurance market, has been based on two things: a marketing-driven self-employed sales force, now about 3,200 strong, which is entirely paid by commission; and its talent for designing innovative products, like Living Assurance, a life policy which pays out a capital sum if the policyholder is diagnosed with a serious illness.

Yet this history has tended to produce a management culture which is unlikely to *fit* well with outright control by a larger group. When ITT bought up Abbey in 1970, the acquisition was swiftly followed by the departure of Sir Mark and his right-hand men. Mr Hepher, an actuary who helped run life companies in Canada for 12 years, arrived at Abbey in 1979, becoming chairman and managing director the following year.

It was an evident relief to him and his management team when ITT first sold 48 per cent of the shares via a London stock market offering in 1985, then placed the remainder with institutions the following year.

In the three years since then, Abbey's progress has been impressive: new business, measured in terms of new initial commissions earned by its sales force, rose 30 per cent. This year, though, the growth has slackened off with the easier housing market and the after effects of the market crash, and there have been suggestions that its high pressure sales tactics produce lesser quality business.

Abbey is potentially a prime beneficiary of two industry-wide factors: the upheaval triggered by the 1986 Financial Services Act, and the liberalisation of the UK's personal pensions market from July 1 1988.

The reasons lie in a widespread perception in the industry that a direct-selling life company could score heavily over the life companies selling through insurance brokers if, as expected, regulatory burdens imposed by the Act leads to a big shrinkage in the UK's independent intermediary sector. As far back as spring 1987, Abbey started to recruit former independent intermediaries as tied salesmen.

None the less, Abbey is not strong enough to launch a full scale international push on its own. With end-1987 shareholders' funds of £28.2m, it has a relatively strong balance sheet by proprietary life company standards, but that scarcely equips it fully to compete in growing markets like Italy and Spain with European giants such as Allianz, Generali or the large Swiss insurers.

The cross-selling opportunities for Lloyds Abbey are more complex than at first appears

Even so, the UK life insurance industry is widely perceived to be among the most highly developed in Europe, which gives it a strong start in the race for dominance of that market once the EC barriers are removed in 1992. This was one of the major considerations behind the strategic review which Abbey made last year, and which led it to approach Lloyds.

Lloyds will place five of its own businesses in Abbey Life. Black Horse Life, Lloyds' life insurance subsidiary specialises, like Abbey, in unit linked products. Lloyds Bowmaker is a finance house which sells leasing and instalment credit products to some 750,000 customers. Black Horse Agencies is a 500-office chain of estate agents. Lloyds Bank Insurance Services is an insurance broker. And Lloyds Bank Unit Trust Managers manages £650m of unit trusts and offshore funds.

The strategic logic in Lloyds Abbey Life is to be insurance, and this specific focus is why Messrs *Pitman and Hepher* dislike the phrase financial supermarket. Although Lloyds Abbey will make loans, and sell investment products and houses, these are seen as secondary services which either support insurance sales or bring in the customer for an insurance product.

Abbey Life salesmen have been complaining, for example, that many of their insurance customers ask them about loans, which until now they have been unable to supply. By the same token, Lloyds house-buying customers are usually just the sort of people who need insurance. Yet the means by which Lloyds Abbey will capitalise on these cross-selling opportunities are more complex than appears.

One reason is regulatory. The FSA's "*de-grouping*" provisions mean that Black Horse Life and Abbey Life will have to operate as separate and competing companies. The two could be merged, but Abbey and Lloyds are reluctant to do this because they want to preserve the two companies' quite different customer bases.

Another is cultural: while Abbey Life salesmen work on commission, Lloyds salesmen are salaried, and this distinction, too, is to be preserved. So the Abbey people will not tap directly into Lloyds' 6m strong customer base. Although this prevents the deal achieving what many would have thought was its most obvious benefit, both Mr Hepher and Mr Pitman insist it is a good arrangement. The gains, they say, will come in the transfer of Abbey's sales expertise to the Lloyds companies, and in the flow of Lloyds' loan-making abilities in the opposite direction.

The cultural divide is also a reason why the deal has been structured as a partial investment by Lloyds rather than a complete merger. For 44-year-old Mr Hepher and his young senior management team, none of them aged more than 45, the retention of a high degree of *autonomy* was clearly a prerequisite for any tie-up with another financial institution, though they stress that there is more potential synergy with Lloyds than there ever was with ITT.

If Lloyds Abbey succeeds, it will produce one of the most varied financial service companies in the UK – and it is hoped, one with the lowest costs.

The closest model is the Trustee Savings Bank Group which combines banking, life insurance and unit trusts, and is widely considered to manage the synergies quite successfully: TSB Life is the third largest unit linked life company after Abbey. TSB operates by having a representative of TSB Trust Company in every branch who builds up knowledge of the customers and of opportunities for cross-selling at the time of an inheritance or golden handshake. This leads to interviews, discussion and, ultimately, sales.

Mr Don McCrickard, chief executive for banking at TSB, said yesterday: "There are the normal territorial issues which surface in relations between the banking and insurance side of the business. There is a slight suspicion of each other. But the obstacles are overcome-able."

He described Lloyds Abbey as a "classically good approach". But TSB is not in the estate agency business, nor is the group as tight-knit as Lloyds Abbey intends to be.

Of the other big clearing banks, Barclays and Midland have built up life insurance businesses, the latter in a joint venture with the Commercial Union. But they are still small players in the market. National Westminster Bank has deliberately chosen to remain an agent in the insurance business; its insurance broking arm is one of the largest in the country. However this route looks increasingly isolated, and there was some speculation yesterday that the Lloyds Abbey development might force NatWest to develop a business of its own.

With the unflinching optimism for which his business is known, Mr Hepher of Abbey Life yesterday described the industry as one "which currently knows no boundaries." He is now in a position to prove it.

The tie says it all

■ Before you go out this morning, have a good look at your tie. For, according to the latest information, 83 per cent of professional men believe that you have chosen it to say something about your education, social standing or how much money you have.

In any case, ties are certainly in. The average British man owns 16 of them, one up on last year and three up on 1986. Silk has become the favourite material at the expense of polyester, which has dropped to second place after cotton. Wool ties are almost out, unless you are over 55.

Plain ties are still the most popular and stripes come next, though something called Paisley, of which Observer had not previously heard, is rising fast, especially among the young. Rising fast, too, is the company tie. Just over 70 per cent of men believe that firms which offer their staff a Company Tie are well organised and professionally run. Some 60 per cent said that they would wear such a tie if it were given to them by their boss.

Old school ties are still much *admired, particularly by non-*public school boys. The survey, conducted for Tie Rack by Munro & Forster Public Relations, found that 68 per cent of state school boys say that they would like to be able to wear, with pride, the tie of an *old or famous school they had* attended. Over 80 per cent of state school boys said that they would never be able to wear their own old school tie with similar pride: public school boys care less.

Blue remains the most popular colour, favoured by 39 per cent of men. Red is coming up among the young. Black, grey and brown are practically out. Apparently men increasingly prefer to buy ties for themselves, but 28 per cent of them have received at least two ties this year as presents.

OBSERVER

Leiden law

■ The first Institute of Anglo-American Law on the European continent is to be opened by Prince Charles at Leiden in the Netherlands next week. It has been established jointly by Leiden University and Queen Mary College, University of London. A key figure behind it is Professor Basil Markesinis, who wears a number of hats.

Markesinis will be the Director of the Institute. He is also, and will remain, deputy director of the Centre for Commercial Law Studies at QMC and Denning Professor of Comparative Law. Nor is that the limit. His aim is to continue to expand the links between higher education and business. The Centre for Commercial Law Studies, for instance, has just received a donation of £500,000 from Digital Equipment in order to establish the first Chair in Information Technology Law. QMC is also working on the possibility of setting up a unit to specialise in a subject of increasing importance: media law.

Markesinis stress that he is not a one man band. Professors Roy Goode and Graham Zellick of QMC have been equally involved in the projects. The University of Texas will be associated with the Leiden Institute as well. According to Markesinis, it was even harder to get funds out of the Dutch private sector than the British.

"Which one of the 6,000 Barlow Clowes investors will you see first?"

Naval defence

■ Pillsbury, the US food company, has invoked an arcane shipping statute dating back to 1916 as part of its defence against the hostile takeover bid from GrandMet.

The company has filed for the US District Court in Washington to block the takeover because the 1916 Shipping Act prohibits non-US citizens from buying US shipping assets *without the approval of the* Secretary of Transportation.

Although best known for its Burger King hamburger chain, Pillsbury also holds a grain division which includes 100 barges for transporting corn down the Mississippi. The division has not played a central part in the company's strategy for some time. In fact, for the last two months it had been trying to sell it to the railroad concern, CSX. Those talks broke down as the food company became embroiled in its own takeover battle.

Union ban

■ The second edition of The Single Market: The Facts is now available from the Department of Trade and Industry and is supposed to tell you all you need to know about 1992 and all that. Yet there is one curious omission. A chart on page 11 *outlines* the new procedures in the European Community's legislative process. It starts with the Commission, goes through the Council and the European Parliament and so on. The chart makes no mention whatsoever of the Economic and Social Committee, the body in the Community *that groups employers*, trade unions and consumers and is obliged to be consulted on proposals relating to economic and social matters.

We knew that the British Government is hostile to the idea of the trade unions having anything to do with the Community, but it is quite something to write them out of the decision-making process altogether. Jacques DeLors, the President of the Commission, might have a view on that.

Commercial

■ "Video-perestroika" begins tonight. The first ads made in Italy for Soviet television will start going out at 10.05 pm, Moscow time.

Silvio Berlusconi, the king of *Italian commercial* TV, signed a three-year deal giving him exclusive rights for European companies wishing to advertise on the Soviet screen last April. The first slot goes to Berlusconi's own group, followed by Raul Gardini's *Ferruzzi business. Coming soon* are ads for Italian fashion, diesel makers and commercials for Britain's ICI and West Germany's Mannesmann. Initial advertising rates are $75,000 for six minutes. Clearly the Russians like their ads long.

Low tech

■ Graffito in an East End social security office: "I wanted to be a printer, but they said I wasn't the type."

POLITICS TODAY

What makes Tarzan run

By Joe Rogaly

Mr. Michael Heseltine wants very much to be Prime Minister. No one can explain exactly why. It is not sufficient to say that it seems like a nice job, with a decent house thrown in and lots of power and prestige attached. It would be a whole lot better than his last government job, which was Secretary of State for Defence. But very-top jobs have their downside. In the US, for example, one is told that there are at least as many multi-millionaires who would give a considerable slice of their fortunes to stay out of the White House as there are who have spent money trying to get in. Mr George Bush is quite rich and Mr Michael Dukakis is not poor, but if it were merely a question of making your pile and then trying for President there are plenty of others who could outbid both of them.

Wait, you may say. The two constitutions are *quite different*; the analogy is not a proper one. In fact the reverse is the case. It is precisely the differences between the roles of President and PM that serve as an aid to understanding why the British position may seem so very desirable. To be sure, the post of Prime Minister carries less global prestige than does that of President of the *United States*: the latter is a world leader by right while the former can only ever be in the supporting cast. Yet in terms of domestic power there is no contest. PM wins every time.

It may not seem like that on the surface: Mr President and his wife enjoy the trappings of quasi-royalty for a term or two; Mrs PM and her husband do not. But there is no Congress to thwart the will of Downing Street. Parliament is hardly a serious countervailing force, especially when the governing party has a decent majority. Its true function is to act as a mirage for those who thirst for constitutional checks to the power of the Prime Minister. There are no proud states, with entrenched rights, in the United Kingdom. The judiciary is unable to defy the PM's will for long. The courts are not a serious check.

Mr Heseltine knows it would be political death to lead a revolt against Mrs Thatcher

Under British constitutional practice, Mrs Margaret Thatcher's Government can (and probably will) respond to last week's House of Lords judgement in the Spycatcher case by changing the law to suit Downing Street's view of what should be published about the security services. In the US, Congress would probably stop a President from doing any such thing. If that failed, the US Supreme Court would throw out a change in the law that over-rode its established powers. Even a packed Supreme Court would be restrained by the written constitution. The range of Downing Street's potential power seems limitless by comparison – as shown, yet once more, by its banning this week of statements by Sinn Fein.

The especially commanding nature of the job is understood by Mr Heseltine. He nods if you point out that the British head of government is probably more powerful than her equivalent in any other democracy. Yet even that is not a sufficient explanation for his continuous campaign to place himself in readiness for the call to lead the Conservative Party and the country. Politicians go into politics for a variety of reasons. Some wish to change society. Others simply *hope for a decent career*; *yet others* see a prospect of justifying their own existence. Mr Neil Kinnock, for example, has clearly been motivated by a desire to redistribute wealth. Mrs Thatcher has always regarded socialism as an evil to be eradicated.

Mr Heseltine experienced a mystic revelation at the age of about 18. He would not go into Deloittes and become an accountant, as had been arranged. He would go to university. Once there his sense of self evolved further: he would make money, go into Parliament and become PM. He started with £1,000 in the mid-1950's and does not demur if you quote current estimates of his personal wealth as £60m, most of it made in publishing. Elected in 1966, he quickly rose to prominence in a succession of opposition spokesman and later ministerial jobs. He was easily recognisable; his long hair (nowadays neatly trimmed) once earned him the nickname "Tarzan". He looked set to be as successful in politics as he had been in business.

This suggests one half of the answer to the question about why he is still running for office. He enjoyed being a minister. He enjoyed the experience of playing out front, on the big stage. He may have resigned in something of a huff in January 1986 over a Cabinet quarrel that now seems to most of us to be difficult to recall in any detail, but he has no wish to disappear into obscurity. With his fortune to back him up, he has no need to. Mr Heseltine addresses three, four, five, or more meetings a week. He has produced one book and has another on the stocks. He is like an American presidential hopeful running a campaign that never ends in the constant anticipation of winning an election whose date is totally unpredictable. The financial cost is considerable to most of us, but modest to him – perhaps no more than the cost to a less politically ambitious multi-millionaire of keeping a mistress or two plus the odd racehorse.

The cost in time, in a slice of Mr Heseltine's life, is of course far greater. He is known for his attachment to things that will last; his weekends are spent tending his arboretum. The trees will outlive all this ephemeral jostling for position. So, again, why does he do it? The second half of the answer is more interesting than the first, for it tells us something about the Conservativa Party. *Mr Heseltine carries on because there is a response.* He stands a chance. The market in Heseltines is running strong. Whenever I mention him in *conversation the immediate reply is*, he's the next Prime Minister, isn't he? Look at the opinion polls: he is right up there with Edwina Currie and Mrs Thatcher. Talk around other politicians: Mr Heseltine has been forgiven the Westland squabble. He is respectable once more.

Most significantly of all, there are the invitations to speak. They pour in, in increasing numbers, every day, he says. Increasing numbers? He and his staff are now taking bookings in 1990. Really increasing? The hand points at an imaginary graph and traces a steep ascending line. Let us accept that – Mrs Thatcher apart – he is top, or thereabouts, of the political pops. The question, again, is why? Again, there are several uninteresting answers – people like a good speaker, fame breeds itself – and one interesting one. It is this: *the Conservative Party as a whole is not congruent with its Thatcherite faction.* I suspect that, underneath, it longs for a unifying leader, rather than a populist who leads from one particular wing. It may be ruled by the PM's people for the moment, but in the absence of the untouchable Mrs Thatcher herself it would revert to type. This does not mean "wet"; that old argument is over. It means a less ideologically-driven party, enhanced by the merest touch of one-nation philanthropy at home and a rather larger dose of visionary Europeanism abroad.

Mr Heseltine's present policy preoccupations certainly support this notion. Perhaps the audiences want to hear his grand European passages. They might like his vista of gloriously reconstructed inner cities. They are certainly roused by his protestations on behalf of a green south-East, and a less polluted land. He believes that he created the climate that led to Mrs Thatcher's recent speeches on the environment; his next trick will be to set the agenda for how the Government can live up to them. He is well-rehearsed in reminders of his own contribution to the sale of council houses and the foundations he laid for today's business-led inner city initiatives. Yet he knows that it would be political death to become a focus for revolt against a Prime Minister at a fresh peak of power. And he has been canny enough not to sulk.

The ultimate value of all this will be nil if Mrs Thatcher does indeed serve for two more terms beyond the present one. She shows no signs of recoiling from "10 more years", as demanded in the chanting that followed her speech at the Tory conference in Brighton a week ago today. If she is still in charge as the century draws to a close, the way of thinking now known as Thatcherism may have spread so widely and so deeply that her faction will have become the party. Yet one only has to say all that slowly to see the point of Mr Heseltine's life of self-sustained hope. As he tells himself, sod's law is sure to intervene. Something will go wrong. That is the way of fate. It always confounds expectations, and it does so most surely when everyone is confidently expecting the same thing.

Of course the identical law applies to Mr Heseltine. He recognises that his chances will depend upon the precise circumstances at the time, and that in due course they will start to fade. In my view, if Mrs Thatcher were to retire this weekend the party would turn to a steadying figure, such as Sir Geoffrey Howe, to nurse it through the period of recovery from shock. A year from now that figure might be Mr Douglas Hurd. The other well-known potential candidates – the Kenneths Baker and Clarke, Mr Norman Tebbitt, Mr Nigel Lawson – will be around for a good few years yet, although Mr Lawson may one day find the job that would attract him out of politics. The latter pair are the only ones that would give Thatcherism much of a run after Thatcher, and Mr Tebbit may have too many enemies to beat any of the unifying candidates. In short, the very utmost that can be guaranteed in return for Mr Heseltine's marathon run is the possibility of a chance that he might be a candidate when the time comes. He knows this, but keeps trotting along.

LOMBARD

Lord Aldington vindicated

By Michael Prowse

Three years ago, the Thatcher Government poured scorn on a House of Commons report on overseas trade. The report, the work of a select committee chaired by Lord Aldington, expressed grave misgivings about the emergence of a deficit on manufacturing trade. The "threatening effect" of this deficit, it maintained, was masked by the surpluses then being generated by North Sea oil. But in due course the UK was likely to face "an adverse balance of payments of such proportions that severely deflationary measures will be needed."

The Government brushed aside the committee's analysis. Ministers said there was no reason why any particular sector of the economy should earn an overseas surplus. Nor was there any reason to fear a serious deterioration in the trade balance. A declining surplus on oil would be offset by a revival of manufacturing and a higher surplus on invisibles.

Complacency in 1985 was perhaps understandable. The current surplus that year was a comfortable £3.5bn. In the preceding five years the UK had run a cumulative surplus of £20bn. Balance of payment constraints on growth seemed a thing of the past. Suggestions that Britain might face an annual current account deficit of £15-20bn by the end of the decade seemed risible.

Today, however, the consensus view is that the 1988 current account deficit will be about £15bn. Yet few economists will see this as a vindication of the Aldington report. Manufacturing industry is not in the doldrums. Investment and output have been rising rapidly. The current account deficit, it is argued, has nothing to do with "de-industrialisation"; it simply reflects the unusual buoyancy of domestic demand. Consumers are borrowing and spending a trifle too much; but that can easily be put right by a touch on the monetary brakes.

The plausibility of the Treasury line is strongly attacked in a recent paper* by Mr John Wells, an economics fellow at King's College, Cambridge. He argues, as did Lord Aldington, that the root cause of today's economic difficulties is to be found in chronically unbalanced output growth. Manufacturing output, amazingly, has only just regained the peak set in 1974. In the ensuing years, the service sector has grown by 42 per cent in real terms.

This de-industrialisation – or shrinkage in the share of manufacturing in GDP – does not reflect a natural shift in the composition of expenditure analogous to the shift from agriculture to industrial goods that occurs at an earlier stage of development. Indeed, most international studies show that the share of services in total expenditure has no tendency to rise as per capita incomes increase – provided allowance is made for the relative price of manufactures and services.

Mr Wells's analysis of Britain's commodity flow accounts since 1979 confirms that domestic expenditure on manufactures has risen at much the same rate as expenditure on services. Yet while the output of services has kept pace with demand, the output of manufactures has increasingly fallen behind. The result has been a progressive deterioration of the manufacturing trade account. The manufacturing deficit in 1988 will account for the lion's share of the gaping current account shortfall.

Lord Aldington predicted that services would not be able to fill the gap created by a rising manufacturing deficit. He was right. Indeed, as Mr Wells stresses, far from improving, the balance on commercial services has actually *deteriorated* slightly since 1979.

Nobody denies that the balance of payments can be made to balance. The question is merely at what level of employment and activity. The Aldington argument was that de-industrialisation would tighten Britain's traditional balance of payments constraint simply because services are less easily traded than manufactures. The argument no longer looks silly given the trade difficulties the Chancellor has encountered even though more than 2m people remain unemployed.

* *Uneven Development and De-industrialisation in the UK since 1979. Faculty of Economics, Cambridge CB3 9DD.*

LETTERS

An ill-conceived and unnecessary recommendation

From D. John Ogren.

Sir, The picture portrayed in your editorial ("New regime for British Gas," October 20) of a "cosy relationship" between British Gas and its suppliers is uninformed and absurd.

As a major producer of North Sea gas, Conoco has endured several difficult and protracted gas sales contract negotiations with British Gas. British Gas has used the full strength of its position to reduce by almost half the price paid to producers for new developments since the collapse of oil prices in 1986. This surely reflects anything but a "cosy relationship".

Yet, far from being a "welcome effort", the recommendation that British Gas be permitted to purchase no more than 90 per cent of the gas from any new fields appears to us to be ill-conceived and unnecessary. Ill-conceived because it will further complicate gas sales negotiations, slow down future developments and consequently reduce the supplies available to the consumer. Unnecessary because direct sales to industrial consumers are already beginning to happen.

Earlier this month, for example, the North Scotland Hydro-Electric Board contracted to purchase the entire gas output from the large Miller field, in which Conoco is a major partner.

Since the reserves of gas available from the North Sea are in excess of British Gas's current requirements, Britain's natural gas producers have every incentive to secure direct sales to industry. But the imposition of the artificial 90 per cent limit on all future fields, irrespective of their size, location, proximity to the market-place and pipeline infrastructure, can only create inefficiencies in the country's overall gas supply system.

D. John Ogren,
Chairman and Managing Director,
Conoco (UK),
Park House,
116 Park Street, W1

Who pays for water pollution?

From Mr P.M. Greig.

Sir, Mr Ridley, the Environment Secretary, recently said that it is water consumers who will have to pay for the consequences of water pollution.

But it *is* the Government, not the consumer, which has the power to stop modern intensive farmers from polluting our rivers and it is the Government which encourages them to do so by subsidising production of surplus food.

I suggest that members of the Cabinet should foot the enormous bill, with Mr Ridley paying double.

Philip Greig,
Bridge Farm,
Hannington Wick,
Swindon, Wiltshire

Past Archbishops of Canterbury

From Mr L.P. Pritchard.

Sir, Your report of Mr Ian Paisley's disruption of the European Parliament ("Pope's mild message stirs MEP emotions," October 12) refers to Mr Paisley's use of tha words of Thomas Cranmer, whom you describe as being the first Archbishop of Canterbury.

There were, in fact, 66 Archbishops of Canterbury prior to Thomas Cranmer: the first was St Augustine, appointed in the 6th Century, and others included such famous names as St Anselm and St Thomas à Becket. It is unlikely that Mr Paisley would ever wish to quote the words of these.

L.P. Pritchard,
78 Hatton Garden, EC1

Do not penalise the universities for raising additional funds

From Dr Christopher Doyle and Mr Martin Weale.

Sir, There must be widespread support in British universities for the reforms to university finance which you describe ("Call for university tuition fees," October 12). The increase in fees charged to overseas students in the early 1980s has allowed this university to finance extra posts, and an increase in charges to domestic students should allow for similar possibilities, but on a much larger scale.

The spirit of Mr Baker's recent Education Act was certainly that universities should not be discouraged from pursuing innovative schemes to raise additional funds, yet you suggest that there is some doubt about whether universities could keep the proceeds of any additional fees charged to students. We must urge the Government to state clearly that there will not be any financial penalty, for the foreseeable future, on any university which obtained additional finance from any source.

A prompt statement to this effect will give the universities a real chance to sort themselves out and face the challenges of the 1990s. Without such encouragement the reputation of British universities as both teaching institutions and research establishments can only continue to deteriorate.

Christopher Doyle
and Martin Weale,
Faculty of Economics and Politics,
University of Cambridge,
Sidgwick Avenue,
Cambridge

'Making the best of a bad case only makes the situation worse'

From Mr Colin Sweet.

Sir, You are right to argue in your leader ("A nuclear insurance," October 12) that it is the UK Government which must face the question of who should bear the cost of electricity from nuclear generation. It is the Government which has chosen to place the protective "ring fence" around the non-competitiveness of the nuclear sector, and which the Central Electricity Generating Board (CEGB) is using as a defence against making a rational economic case at the inquiry now taking place for the Hinkley Point C pressurised water reactor (PWR).

But your reasoning fails to confront the real issue. The purpose of privatisation, says the Government, is to break up the monopoly of electricity supply and to remove Government interference. Yet the Government is interfering, and more forcibly than before, in order to create a legal monopoly, where none previously existed.

What hitherto was concealed is now to be legalised. The new distribution companies will be obliged to sign contracts to buy nuclear power above the average or marginal cost of power generation, and pass it on to the consumer. You suggest that if the cost burden is not too high this can be made acceptable by making the taxpayer pay the subsidy. You are *wrong* for three reasons.

Firstly, the ring fence is wrong in principle. The effect will be to undermine the principle of economic pricing throughout electricity supply.

Secondly, you suggest that the cost burden will not be high. You refer to "internal estimates of the CEGB". Do you have information not available to the inquiry? CEGB evidence has shown that Magnox will be at least 9 per cent more costly than coal. But for advanced gas cooled reactors and PWRs, the cost differential will certainly be larger.

Thirdly, you say let the tax payer carry the burden and not the consumer. This is a strange proposition for privatisation. If the customer pays, then at least the burden is shared proportionately to the benefits enjoyed by the user. If the taxpayer who is not obliged to use electricity is obliged to pay for it, he will rightly object. Your *complicity in helping the Government* to make the best of a bad case only makes the situation worse.

Colin Sweet,
16 Walcot Gardens,
Kennington Road, SE11

FINANCIAL TIMES
Friday October 21 1988

Marcos and wife face arrest after US court ruling

By Lionel Barber in Washington

MR FERDINAND MARCOS, the former Philippines president, and his wife, Imelda, face arrest after failing to comply with subpoenas issued by a US grand jury investigating embezzlement charges against the couple.

A Federal appeals court in New York found the Marcoses in contempt of court on Wednesday and unless the decision is overturned, Mr and Mrs Marcos could be arrested in Hawaii, their place of exile since Mr Marcos was ousted from office in 1986.

Even before this week's court ruling, President Ronald Reagan of the US faced a tricky decision on whether to approve the indictment of the 70-year-old Mr Marcos on separate charges that he fraudulently purchased, with Philippine and US Government money, valuable New York real estate and art objects after leaving the Philippines.

A White House official said Mr Reagan was reluctant to see Mr Marcos go to jail, but indicated that Mr Reagan had decided, for the moment, not to intervene in the grand jury proceedings. One reason is that the US State Department and the US Justice Department are deadlocked on the Marcos case.

The State Department is concerned about prosecuting Mr Marcos for conduct in office because it could damage future efforts by the US to influence heads of state to leave power. The Justice Department wants to proceed quickly with an indictment.

One solution believed to be under consideration is for Mr Marcos and his 59-year-old wife, to hand back the assets they allegedly obtained through fraud and embezzlement and then plea bargain for a light sentence.

The grand jury investigation centres on charges that Mr Marcos diverted enormous sums of US Government money to secret bank accounts after he fled the Philippines under pressure from the US and a popular revolt led by Mrs Corazon Aquino, the then opposition leader, and current president.

The Federal appeals court ruling upheld a lower court finding against Mr and Mrs Marcos which held the two in contempt of court for failing to comply with a series of subpoenas last August.

The subpoenas required the Marcoses to supply fingerprints, financial records and other material for the grand jury investigation.

A Marcos defence lawyer failed to return telephone calls. However, the New York Times reported that the Marcoses were considering pursuing an appeal to the US Supreme Court.

Richard Gourlay adds from Manila: Mrs Aquino yesterday welcomed the US Appeal Court's decision, saying it would speed the return of stolen wealth to its rightful home.

One short step nearer to Hell on Earth

Robin Pauley follows the hunt for the world's most celebrated treasure

IT IS said to be but a short step from Heaven to Hell. Mr Ferdinand Marcos, former President of the Philippines, and his wife Imelda, are slowly discovering that even billions of dollars can neither keep you in one nor out of the other.

In an interview last year in their luxurious exile in Hawaii Mrs Marcos, a devout Roman Catholic, claimed that she and her husband were divine rather than ordinary humans. "Only because of that have we been able to cope with all the ugliness that has happened to us," she said.

Wednesday's ruling by a federal appeals court in New York that the Marcoses are in contempt of court for failing to comply with subpoenas issued by four federal grand juries investigating embezzlement and fraud means that technically Mr and Mrs Marcos can now be arrested and taken into custody.

Deposed Philippines President Ferdinand Marcos and his wife Imelda in happier times, singing to their supporters during the 1985 presidential election campaign

Both have described such a prospect as "hell on earth". However, the legal process in the US can be inordinately lengthy and any appeal to the Supreme Court could spin out for years ahead.

At issue is the Marcos fortune, usually estimated at between $5bn and $10bn, although some guesses rise as high as $30bn. It was amassed during Mr Marcos's 20 years in office.

A substantial minority of the fortune has been identified, if not found, in 2,300 pages of financial documents left behind by the Marcoses when they fled the Philippines. But they destroyed many other documents and billions of dollars remain unaccounted for.

Both the US and Philippines governments claim it was mainly accumulated through fraud, embezzlement and bribery. The assets are believed to be in the form of property, company investments, cash and gold bullion spread throughout the world including the US, Hong Kong, Britain, the Cayman Islands, France, Switzerland, Bahamas, Panama, the Netherlands Antilles and Brazil.

Yesterday's judgment by the three-judge federal court panel said the US Government believed the Marcoses, acting with others, "fraudulently diverted enormous sums of money that belonged to the Philippine Government and the Government of the US . . . intended for the benefit of the Philippine people". It said they were suspected of using these funds to buy personal property and real estate in the US.

New York properties which Mr Marcos has owned directly or indirectly include a 70-storey office block on Wall Street, the Lindenmere Mansion set in 10 acres of Long Island, a 26-storey apartment block on Madison Avenue, a 24-storey office building on Fifth Avenue and a shopping centre on 34th Street.

Investigations are also under way into assets in Virginia, Texas, New Jersey and California. In the latter, Marcos money is alleged to have been involved inter alia in the fraudulent purchase of banks.

In Honolulu, where the Marcoses live in some luxury in Makiki Heights overlooking downtown Honolulu, Diamond Head and Waikiki Beach, a "nearly watertight" case has been prepared alleging that Mr Marcos bought about $500,000 worth of weapons for shipment to the Philippines this year. If brought to court, this would be the most embarrassing of all the pending cases for the US Government.

More than $50m worth of art is still believed missing despite the impounding of huge quantities on the arrival of the Marcoses in the US in 1986. These included a Picasso, a Van Gogh and a Breughel. Not found is a self portrait by Francis Bacon, Mrs Marcos's favourite artist "because the ugliness of his work makes you realise how beautiful you and your life are".

She also brought a box, 12ft by 4ft, full of pearls, a three-foot tall ivory statue covered in diamonds and other precious stones, and 22 boxes stuffed with exactly 27,744,535 pesos (more than $1m) in crisp new bank notes. They also brought out 59 pearl necklaces and chokers, 65 expensive watches, and two jewelled tiaras.

Many more priceless jewels, some said to have been bought from Elizabeth Taylor and the Shah of Iran, are thought to be in London bank vaults. Property in Britain included a £1m ($1.75m) house in West London, a penthouse flat worth the same, a building on Park Lane bought for £19m in 1983, and a country estate in Berkshire, some of which has now been sold.

Mr Marcos opened his first Swiss bank account with $1m in 1967 less than two years after becoming president. Some estimates say $3bn could be lodged in a multiplicity of coded Swiss accounts.

A major blow for the couple came last year when Switzerland's Federal Tribunal upheld decisions by Swiss cantonal authorities to lift Swiss banking secrecy, block all Marcos funds in Swiss banks and give legal assistance to the Manila Government's attempts to recover funds.

However, the Swiss insist that the Marcoses must first be convicted of an offence before any money can be released and it will be difficult to convict them in the Philippines while denying them the right to return home to defend themselves.

Yesterday's judgment in New York, paving the way for a possible conviction, ultimately in the US, could solve that problem. But Mr Marcos's lawyers will probably be able to spin out the US legal processes for longer than the ailing Marcos, who is 70, is likely to survive.

Mrs Marcos's legendary extravagance abroad seems to have been funded not from Switzerland but through the state-run Philippine National Bank. Records recovered in the Philippines show the bank was instructed to pay $26,000 for flowers Mrs Marcos ordered for her hotel suite, $800,000 for jewellery she had bought in New York in 1982 and $2m as an advance for a trip abroad.

The Philippines Government accusations against Mr Marcos include one charge that he took $4.7m from just one of his Government ministries during his last month in office. In the Philippines the Government sequestered assets from more than 270 companies controlled by Mr Marcos and his associates. The Government filed 43 lawsuits against Mr Marcos, just one of which involves $10bn of alleged graft and corruption.

Nobody is optimistic about identifying all of the Marcos treasures hidden around the world, let alone reclaiming them. But yesterday's judgment in New York confirms that it is becoming increasingly difficult for Mr Marcos, his family, cronies and associates to use and enjoy their wealth.

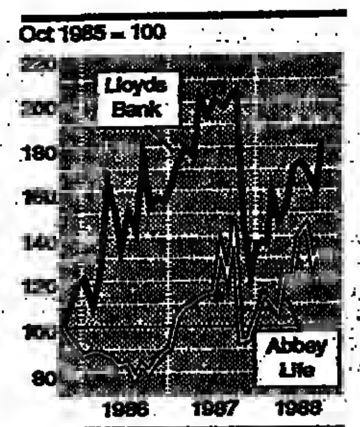
THE LEX COLUMN

It pays to quit smoking

There must be a limit to the amount of funds available to gear up corporate USA, but $17bn is apparently not it. Twenty four hours ago, the market had assumed that RJR Nabisco was too big to be bid for; now everyone cheerfully expects a still higher offer. So long as the assets are throwing off a decent cash flow – and RJR generates the best part of $2bn a year – the money seems to be forthcoming.

In contemplating a buyout, RJR Nabisco has been driven by the same forces as Philip Morris in Monday's now comparatively modest $11bn bid for Kraft, but has reached exactly the opposite destination. Both companies are faced with a stockmarket that finds tobacco noxious and food tasty. In bidding for Kraft, Philip Morris is aiming to shift its balance further towards food, and join the race for world dominance. RJR Nabisco, meanwhile, has evidently decided to break the company up, cash in on the great sums being paid for food manufacturers and get full value for the cash flow from tobacco.

On the proposed $75 a share, the break-up sums leave a fairly large remainder. Valuing Nabisco on the 15 times cash flow offered for Kraft would imply that all the non-food businesses were thrown in for nothing. Even though the world's biggest deal has yet to land, Wall Street does not seem to be taking too many risks in pushing the shares a little over the suggested price. The sympathetic 12p rise in the price of BAT, not best known for its biscuits, is another matter altogether.



Abbey Life

With the best will in the world, it is hard to see the proposed Lloyds/Abbey Life merger as even-handed. Since Abbey's shares are still suspended, its shareholders are denied the opportunity to express themselves through the market. Yesterday's 4 per cent rise in the Lloyds price, though, is eloquent enough. In essence, Lloyds seems to be getting control of a major life company without any dilution of its earnings or weakening of its balance sheet; life insurance is to go from perhaps 3 per cent to 20 per cent of profits, and Abbey is to keep its quote as a reminder to the market that that such earnings command a higher multiple than banking.

For Abbey's shareholders, the essential snag is that control of the company is passing out of their hands without any premium being paid for it. The management response is that the assets being handed over by Lloyds, formally valued at £1.15bn, are actually worth much more than that. If so, the shares could be expected to rise from their present 300p or so to the 400p-plus they might fetch in a formal bid; the more necessary, then, that the shares should be re-listed before the EGM, so that shareholders can test the hypothesis.

In purely operational terms, the deal has much to be said for it. Lloyds would certainly gain from moving further into financial services, while Abbey could do with the clout of a clearer to assist its own development. Structurally, too, it must be sensible to avoid saddling Abbey with banking management. But the terms of the deal look a little too clever, and there must be a chance that Lloyds will be obliged either to make a full bid or to back off. Even the latter would not be time wasted; for as Lloyds will certainly have calculated, it is worth something merely to be able to draw the market's attention to the value of its non-banking assets.

Mansion House

Welcome to unfunding. This new economic chapter, officially opened by the Chancellor last night, contains no more gilt auctions, and a big public sector surplus to be absorbed fully by purchases of gilts. On the face of it, this suggests a still more acute shortage of stock, but in practice it may do little to move prices. In fact, the commitment to full unfunding is something of a fudge. If the Bank goes on buying, say, £500m of gilts a month, it will soak up the surplus as calculated by the Treasury; but if the outcome is closer to some City estimates of £10bn to £13bn, unfunding will not be complete. In any case, the gilt market is thoroughly tired of hearing about shortage of supply, and may need fresh stimulation before rising further.

Such excitement was not forthcoming in the rest of the speech. Given yesterday's discouraging banking figures – containing no sign that private sector borrowing is slowing – Lawson had nothing better to offer than his word that high interest rates will eventually do the trick. Those who were not convinced were reminded that other countries manage their interest rates too, an argument not just inconclusive, but quite out of character.

Mecca/Pleasurama

Blue Circle proved this week that it could survive a finely judged flop over Birmid Qualcast and live to bid 18 per cent more another day. But Mecca would find the same trick decidedly more difficult, so it was scarcely suprising to find the company boosting the home side's morale bright and early yesterday morning via the TOPIC screen. Given that the scent of a Mecca victory was already in the market, Mecca's early announcement of 51.4 per cent acceptances seems to have been enough to shake loose another chunk of Pleasurama stock. For though the statement did nothing so vulgar as declare victory, Mecca might well have exerted itself a little to point out that over 7 per cent of the acceptances could still be in doubt. It did so, eventually – but only after it had announced the purchase of a further 3m shares in the market.

If shareholders heed yesterday's plea from Pleasurama – or more to the point, if they quake at the 9 per cent drop in Mecca's share price yesterday – they could still withdraw some of these acceptances. But it is difficult to see the institutions chopping and changing over a decision which must have cost them considerable anguish in the first place. The biggest challenge to a Mecca triumph must be the validation of the 7 per cent of Pleasurama bought in the market on Wednesday; and though the odds are that Mecca can manage it, it could be a close call.

Demonstrations continue in Yugoslav province

By Judy Dempsey in Belgrade

THOUSANDS OF nationalist Serbs, nursing political wounds after a series of setbacks at a meeting of Communist party leaders in Belgrade, staged an angry demonstration yesterday in the troubled southern province of Kosovo.

At the same time, the central committee of the federal Communist party approved constitutional changes which will help pave the way for moves towards a market economy although several points of disagreement were left unresolved.

About 5,000 Serbs booed and turned their backs on two members of the federal Politburo at a rally in the town of Kosovo Polje.

The crowd was incensed by Wednesday night's move to oust from the 23-man Politburo a Serbian politician, Mr Dusan Ckrebic, who backs the nationalist demand for greater Serbian control over Kosovo.

Mr Ckrebic offered to resign after a majority of the federal central committee voted against him in a confidence ballot. The negative vote appeared to be a calculated rebuff to the nationalist Serbs by non-Serbian politicians.

The demonstrators in Kosovo Polje shouted "We will not give up Dusan," when the two Politburo members tried to address them. They were Ms Kscusa Jasari, the Kosovo party chief, and Mr Marko Orlandic, a Montenegrin who Serbs accuse of toning down his pro-Serbian sympathies.

Yesterday's rally was an initial, limited reaction by Serbs to the outcome of the central committee meeting, which failed to produce the immediate and wide-ranging purge favoured by Mr Slobodan Milosevic, the charismatic Serbian party chief who is the hero of the nationalist movement.

The demonstration overshadowed a central committee debate on Wednesday night at which broad consensus emerged between the six republics and two autonomous provinces on liberalising the economy, with freer flow of capital and the introduction of an equity and capital market.

The central committee debate left unresolved a dispute with the republic of Slovenia on how the army should be financed, and on the extent to which the federal legal system should be reinforced.

Lawson warns of continuing UK current account deficit

By Peter Norman, Economics Correspondent, in London

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, yesterday said the UK would continue to run a "substantial" budget surplus in the next financial year but warned that it would probably take until 1990 before the large current account deficit fell significantly.

In his annual speech to bankers at the Mansion House in London last night, Mr Lawson rejected as "manifest nonsense" the idea that the European Community should move towards monetary union and a common currency in its efforts to create a single market.

He also said the Government would maintain unchanged its funding and monetary policies. With City of London analysts forecasting a budget surplus of £8bn-£10bn ($14bn-$17.6bn) in the present financial year, this means the Government will continue to buy government gilt-edged securities to offset the contractionary effects on the money supply of the unexpectedly large public sector surplus.

However, some of the necessary gilt purchases may be deferred to the next financial year starting April 1989.

He made only passing reference to the need for a "reasonable degree of exchange rate stability" among the major industrial countries. He did not repeat the rejection of a sterling devaluation policy that he gave at last month's annual meeting of the International Monetary Fund and World Bank.

Mr Lawson had relatively little to say about inflation and interest rates. He repeated the Government's view that it would take some time for the recent tightening in monetary policy to take full effect and forecast that inflation, now 5.9 per cent, would peak during the course of next year. It was left to Mr Robin Leigh-Pemberton, the Governor of the Bank of England, to warn that present wage trends could lengthen the fight against rising prices.

Mr Lawson said the British economy would now "see a year or two of slower growth" following two years of strong growth above the trend rate of around 3 per cent. But he stressed that this was no cause for alarm.

Details, Page 14

Brazil economic crisis deepens

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S economic outlook continued to worsen yesterday as the Government appeared paralysed by the flight away from cruzado-denominated assets and an intensification of strikes in the public sector.

With President Jose Sarney still visiting the Soviet Union, ministers have yet to agree on a strategy to defuse industrial action involving 800,000 federal and state employees, as well as staff at the state-owned Banco do Brasil.

At the same time, the money markets reported a marked decline in interest in cruzado-denominated assets as savers continue to move into the black dollar, gold and real estate.

The unofficial dollar – a traditional guide to confidence – surged near to Cz700 on Wednesday, a 64 per cent premium on its official Cz426 exchange rate. By midday yesterday it was trading at Cz710. Gold is also up by 11.5 per cent on its price at the beginning of the month.

Bankers are reporting a virtual halt to trading in foreign-owned credits held in accounts by the central bank and sold at a discount in Brazil's monthly debt conversion auctions. Abroad, debt trading in the secondary market has also dropped in value recently from 47 cents in the dollar to under 45 cents.

One foreign banker reported that a recent offer by a creditor to sell more than $100m in Brazilian credits at 48 cents had found no takers and had subsequently been withdrawn.

Behind the crisis lie fears that the Government is politically unable to take the tough measures needed to tackle inflation, now thought to be nearing 29 per cent a month. Speculation is mounting that any further rapid fall in confidence could trigger a surge into hyper-inflation.

A tripartite meeting of government officials, business leaders and trade unionists is planned for next week in a bid to seek a negotiated route out of the crisis. Among the measures being rumoured are a gradual de-indexation of the economy. This could involve a voluntarily imposed deflator – a percentage reduction below inflation in both wage rises and price increases.

Other options are believed to include a new "fiscal shock" aimed at reducing the public sector deficit to zero next year.

World Stock Markets, Page 50

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Rio de Ja'o	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	Faro	[illegible]	[illegible]	[illegible]	Manila	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Florence	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Frankfurt	[illegible]	[illegible]	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]	San Francisco	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]	Funchal	[illegible]	[illegible]	[illegible]	Miami	[illegible]	[illegible]	[illegible]	Seoul	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Geneva	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
Beirut	[illegible]	[illegible]	[illegible]	Gibraltar	[illegible]	[illegible]	[illegible]	Montreal	[illegible]	[illegible]	[illegible]	Stockholm	[illegible]	[illegible]	[illegible]
Belfast	[illegible]	[illegible]	[illegible]	Glasgow	[illegible]	[illegible]	[illegible]	Moscow	[illegible]	[illegible]	[illegible]	Strasbourg	[illegible]	[illegible]	[illegible]
Belgrade	[illegible]	[illegible]	[illegible]	Guernsey	[illegible]	[illegible]	[illegible]	Munich	[illegible]	[illegible]	[illegible]	Sydney	[illegible]	[illegible]	[illegible]
Berlin	[illegible]	[illegible]	[illegible]	Helsinki	[illegible]	[illegible]	[illegible]	Nairobi	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]
Biarritz	[illegible]	[illegible]	[illegible]	H. Kong	[illegible]	[illegible]	[illegible]	Naples	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]
Bombay	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	Nassau	[illegible]	[illegible]	[illegible]	Tenerife	[illegible]	[illegible]	[illegible]
Bordeaux	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	New Delhi	[illegible]	[illegible]	[illegible]	Tokyo	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	Isle of Man	[illegible]	[illegible]	[illegible]	New York	[illegible]	[illegible]	[illegible]	Toronto	[illegible]	[illegible]	[illegible]
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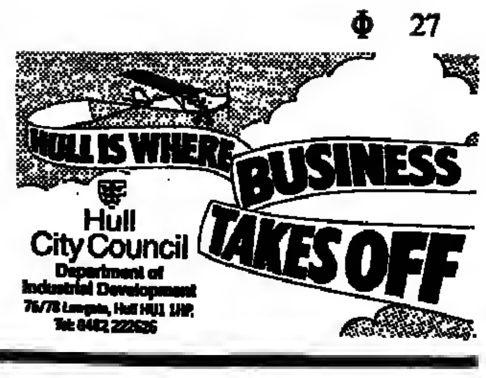
B. Aires	[illegible]	[illegible]	[illegible]	Jersey	[illegible]	[illegible]	[illegible]	Nicosia	[illegible]	[illegible]	[illegible]	Valencia	[illegible]	[illegible]	[illegible]
Cairo	[illegible]	[illegible]	[illegible]	Jo'burg	[illegible]	[illegible]	[illegible]	Oporto	[illegible]	[illegible]	[illegible]	Venice	[illegible]	[illegible]	[illegible]
Cape Town	[illegible]	[illegible]	[illegible]	Las Palmas	[illegible]	[illegible]	[illegible]	Oslo	[illegible]	[illegible]	[illegible]	Vienna	[illegible]	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]	Lisbon	[illegible]	[illegible]	[illegible]	Paris	[illegible]	[illegible]	[illegible]	Warsaw	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]	Locarno	[illegible]	[illegible]	[illegible]	Peking	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]	London	[illegible]	[illegible]	[illegible]	Perth	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]	Los Angeles	[illegible]	[illegible]	[illegible]	Prague	[illegible]	[illegible]	[illegible]				
Copenhagen	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]	Reykjavik	[illegible]	[illegible]	[illegible]				
Corfu	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]								
Dallas	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]								
Dublin	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES

COMPANIES & MARKETS

Friday October 21 1988



INSIDE

Holmes à Court returns to do battle

Mr Robert Holmes à Court (left), the Australian businessman who sold most of his stable of companies after the 1987 market crash, has re-emerged on the corporate scene to do battle with Mr John Elliott's Elders IXL and others. He has bid for Sherwin Pastoral, which has agricultural leases on 1 per cent of Australia's total land area. Sherwin is already subject to an Elders bid. Chris Sherwell reports. Page 33

Rudloff warns on Swiss market

When a leading banker says that the Swiss Stock Exchange is an anachronism, most people pay attention. Yesterday, Hans-Joerg Rudloff, one of Crédit Suisse's general managers and deputy chairman of Credit Suisse First Boston, said just that. Reforms were urgently needed, or else the market for Swiss equities would be lost to London. But such reforms were being delayed by an attempt to "find a consensus that would defend all the particular interests of the industry," he warned. Page 31

Dutch meet 'people's capitalism'

The December privatisation of DSM, the Dutch state-owned chemicals company, will be the biggest share offering in Dutch history and the closest thing to "people's capitalism" seen in the Netherlands. Once floated, DSM hopes to expand rapidly in the US and the Far East through organic growth and acquisition. Laura Raun in Amsterdam reports on the flotation's progress and how international investors are likely to receive the new issue. Page 28

Syria speeds up oil search

Syria's oil industry is facing an exploration rush as foreign companies launch ambitious drilling programmes. The country, desperately short of hard currency, is pushing its foreign partners to bring newly-discovered fields into production quickly. Having just achieved oil self-sufficiency, it now hopes to export up to 100,000 b/d. Tony Walker reports on the drive for foreign cash. Page 46

Brazilians look for bolt holes

Despite an expected 800 per cent rate of inflation in Brazil this year, opinion remains divided whether this is bad for the stock market. The Sao Paulo Stock Exchange's composite index has posted an 80 per cent rise in dollar terms since the beginning of the year as many companies have learned how to live with crises. But government moves on inflation may change this as investors begin to head back to the traditional bolt holes of gold, black market dollars and land. Page 50

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Cont. Gummi	280.5	+	27
Falls			
Dresdner Bk.	304	−	7.5
MAN	213.5	−	4.8
Bayer Vereins.	378	−	8
Bayer Hypo.	377	−	8
NEW YORK ($)			
Rises			
Amer. Brands	58¾	+	4½
Nabisco	77⅛	+	21¼
Philip Morris	99	+	5
Union Pacific	61¼	+	1⅜
Am Express	29¾	+	1⅛
Colgate-Palmolive	48¾	+	2
Gillette	38½	+	1⅜
ITT	53⅞	+	1¼

AT&T	27½	+	⅝
PARIS (FFr)			
Rises			
Ingenico	408	+	45
Saulnes-Chatill.	260.1	+	25.1
Vallourec	230	+	21
Falls			
Soc. Generale	407	−	49
Cerca	380	−	14
TOKYO (Yen)			
Rises			
Dai Nipp Tor.	725	+	100
Toshoku Kogyo	810	+	89
Sand Eng	904	+	84
Falls			
Nohmen	901	−	77
Yuasa Trading	550	−	42
Ryosan	2560	−	190

LONDON (Pence)			
Rises			
ASD	438	+	10
BAT Inds.	463	+	12
Charter Cons.	448	+	13
Cons Gold Flds	£12¾	+	½
Glaxo	£11¼	+	⅜
Higgs & Hill	361	+	11
Lloyds Bank	340½	+	11½
Marks & Spencer	171	+	5
Noble & Lund	103	+	7
Northern Foods	284	+	6
Powell Duffryn	387	+	7
Scott & New.	490½	+	8

Underwoods	95	+	6
Unigate	283	+	6
Utd. Biscuits	318	+	8½
Falls			
Brit. & Comm.	238	−	5
Color Grp.	388½	−	9½
Capital Radio	446	−	9
Caradon	351	−	7
House of Lerose	153	−	12
Jaguar	252	−	5
Mecca Leis.	161	−	16
Stockdale	278	−	5

Further DM750m backs expansion at Hapag-Lloyd

By Kevin Brown, Transport Correspondent, in London

HAPAG-LLOYD, the West German shipping and tourism group, yesterday announced plans to order five new container ships and a long-distance passenger aircraft at a cost of up to DM750m ($413m).

The announcement is in addition to orders for three container ships and 17 aircraft for Hapag-Lloyd Flug, the group's charter airline, which were announced earlier.

Hapag-Lloyd said its total capital investment would be DM2.9bn between 1988 and 1995, when the last of the ships is expected to come into service. It plans to finance the entire investment programme from cash flow.

Revenues from both shipping and tourism are said to be above budgeted levels for the current year, and the group is forecasting a significant increase on last year's net profits of DM71m.

The expanded investment programme marks the final stage of Hapag-Lloyd's recovery from four years of losses during the shipping recession of the early 1980s.

The group said the programme was also intended to demonstrate its renewed confidence in the prospects for container shipping, and its intention to remain a major shipowner.

The latest batch of container ships will be designed for Hapag-Lloyd's Far Eastern routes, where demand is expected to grow strongly.

Each will each be capable of carrying around 4,100 TEU (twenty foot equivalent units, the standard measure of container capacity). The future of five 3,000 TEU ships currently operating on the Far East routes is undecided.

Hapag-Lloyd said it would invite tenders shortly for the first ship, which would enter service in 1991 or 1992. The cost will be between DM100m and DM130m each.

The group said it had not ruled out placing the orders in shipyards outside West Germany in spite of domestic pressures to support local shipbuilders. One of the three ships ordered earlier is to be built in Shanghai.

Hapag-Lloyd has yet to decide whether to buy a Boeing 767 or a long-range European-made Airbus to augment the 17 medium-range Boeings and Airbuses already on order. Either would cost around DM100bn.

Both aircraft are capable of around 11 hours flying time, which would enable Hapag-Lloyd Flug to enter the long-distance tourism market, from which it is presently excluded. Tourism has become increasingly important to Hapag-Lloyd, and now supplies around 30 per cent of group revenue.

First rights issue for Saint-Gobain

By Paul Betts in *Paris*

SAINT-GOBAIN is raising FFr3.3bn ($536m) to help finance its ambitious investment and acquisition programme through its first rights issue since the leading French glass and packaging group was privatised two years ago.

The big rights issue launched yesterday will enable holders to subscribe to the new shares at a price of FFr570 each on the basis of one new share for every nine held. Saint-Gobain shares were trading in Paris yesterday at FFr585.

The new shares will each carry a warrant enabling holders to subscribe for an additional new share during the next five years at a price of FFr630. This will raise a further FFr3.6bn for Saint-Gobain if all the warrants are converted.

The new shares will qualify for 1988 dividends and shareholders' rights to subscribe for the new shares with warrants will be rounded upwards.

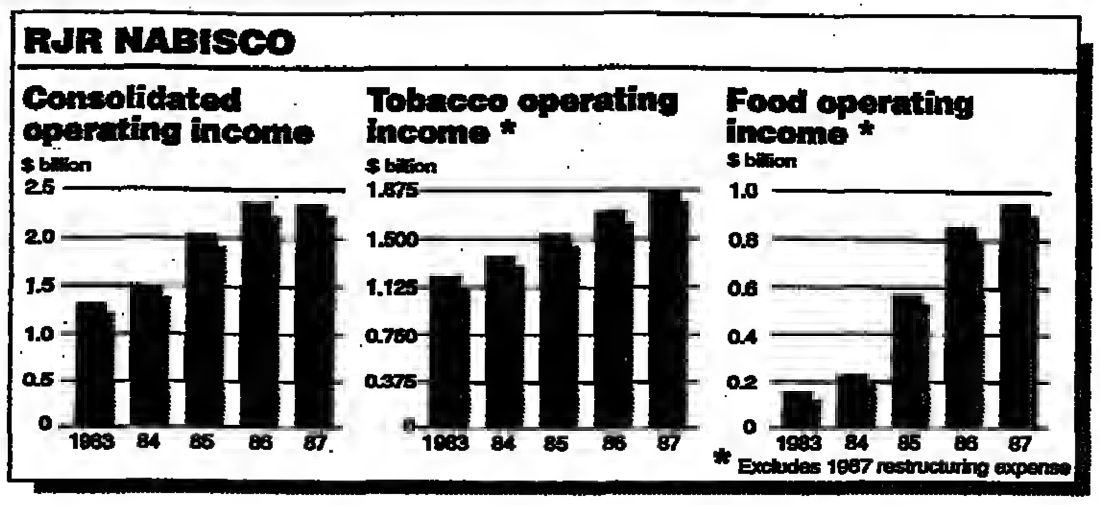
The company said this would enable small shareholders with only 10 shares in the group to subscribe for two new shares. Mr Jean-Louis Beffa, chairman, said last night that the group had about 1m small shareholders.

He also said the company's principal shareholders, including Compagnie Générale des Eaux, Banque Nationale de Paris and Suez, had agreed to back the capital increase.

Saint-Gobain intended to pursue a vigorous policy of investments and acquisitione to develop its core businesses, modernise its industrial facilities and develop the group's international activities, especially in Europe, he said.

The group, which has spent FFr5bn in acquisitions during the last two years, recently reported a 49 per cent increase in first half net profits excluding minority interests to FFr1.75bn.

Ross Johnson: no emotional tie to any business



* Excludes 1987 restructuring expense

Spending $30bn to stub out America's tobacco dilemma

James Buchan on the week's dramatic moves in the cigarette industry

The endgame in tobacco has begun.

In the space of four days, the world's two largest cigarette producers, Philip Morris and RJR Nabisco, have made stunning moves that will shape the way the tobacco game is played in the latter – some say its last – years.

In the next weeks and months, the US and world capital markets will have to find some $30bn in equity, bank loans and junk bonds to reorganise the companies that dominate the troubled but highly profitable industry in the US and several other countries. Philip Morris has 39.1 per cent of the US market and RJ Reynolds, RJR's tobacco division, has 32.4 per cent. The worldwide figures are 5.8 per cent and 2.2 per cent. It is an industrial upheaval only matched by the oil industry mergers of the first half of the 1980s.

And the two companies are going in opposite directions.

This is not surprising. Mr Hamish Maxwell, chairman of Morris, and Mr Ross Johnson, chairman of RJR, are two very different men.

Mr Maxwell is a heavy smoking Scot who helped turn Marlboro into the world's best-selling cigarette and is a sturdy defender of America's harried smokers. Since taking over in 1984, he has also moved to diversify the company into less troublesome consumer branded products with the acquisition of General Foods.

On Monday, Mr Maxwell announced that he would spend over $11bn to buy the Kraft cheese business to add to his array of food brands. The deal, if successful, will create a nearly $40bn sales behemoth with its operations divided equally between tobacco and packaged, frozen and chilled foods.

Mr Ross Johnson, 56, RJR's chairman, is a Manitoban who powered his way up through the food companies RJ Reynolds bought, shouldering aside competitors and other executives alike. He seems to have no emotional tie to any business, whether Winston cigarettes, Ritz crackers or Oreo cookies. Yesterday, Mr Johnson announced that he was looking to borrow $17bn or more to buy out RJR Nabisco's other shareholders and take the company private. With that burden of debt, Mr Johnson is more likely to sell businesses than invest in them. RJR may well be bust up.

Both strategies are rational responses to the problem eating at the heart of the tobacco industry: smoking injures health

Yet Wall Street says that both strategies – acquisition and liquidation – are rational responses to the problem eating at the heart of the tobacco industry.

Smoking has been accused of injuring people since the war, but this year has seen the industry harassed as never before. Bans on smoking in public places, from airlines to Broadway theatres, have proliferated. And in June, the industry lost its first product liability case in 30 years when a New Jersey jury awarded Mr Antonio Cipollone $400,000 in damages relating to his wife's death. The US market has been declining since 1982 and fell by 2 per cent last year.

Tobacco is still a great business. Last year, Philip Morris sold 216bn cigarettes in the US alone and made 35 cents of profit in each dollar of sales. RJR enjoyed revenues of $6.35bn worth of tobacco worldwide and had $1.82bn in profits. But US stock investors take a derisive view of these profits and the two companies' market value is relatively low.

Share prices generally represent a multiple of company profits; and a company with a rosy profits outlook enjoys a higher multiple (and share price) than a stagnant company. But analysts say that the market is so gloomy about the cigarette industry that it will pay less than 10 times for tobacco profits, much less than the average for the market as a whole. Worse, this aversion to tobacco earnings has outweighed any enthusiasm for the the two companies' food businesses, which typically sell on double figure price/earnings multiples. Kraft is priced in the market at 25 times its earnings. But Morris and RJR are selling in the market on p/es of under 10.

With the Kraft deal, Mr Maxwell will exactly balance tobacco with a group of high profile branded products such as Maxwell House, Cheez Whiz and Miller Lite. These will give Morris some insulation against any future legal shocks from tobacco. They should also dilute the stock market's aversion to tobacco. Yet behind their protective screen, Marlboro can exploit a brand franchise which can only get more profitable as competition diminishes. Marlboro's profits will pay off the debt taken on to buy Kraft and any other companies that take Mr Maxwell's fancy.

As the No 2 in the tobacco market, RJR has a more difficult decision. RJR's main cigarette, Winston, has been consistently outgunned by Marlboro. Mr Johnson's first reaction was to go head-to-head with Morris with the ambitious new launch of Premier, the so-called "smokeless" cigarette. As Mr Johnson said in the summer: "If we didn't introduce (Premier), Marlboro would keep going up, and we'd be in a more difficult No 2 position."

Yet, in the same interview (which was with Fortune magazine), Mr Johnson betrayed other ideas. "It's a lot goddamn harder to launch a new cigarette than to go borrow at the bank and buy what somebody made 20 years ago," he said. Yesterday, Mr Johnson announced he was going to borrow at the bank.

In effect, he is taking the stock market at its own valuation. He will buy the company on the cheap. The cashflow from tobacco will easily support his borrowings. He can then run Winston for the rest of its life and sell off the food businesses at their "natural," tobacco-free multiples. It is a strategy which provided big returns to Hanson Trust when it liquidated Imperial Group, the UK food and tobacco combine, in 1986-87. As Ms Diana Temple, an analyst at Salomon Brothers in New York, puts it: "There is no better cashflow business than tobacco for its price."

But she and other analysts say that RJR's current shareholders may well baulk at the profits Mr Johnson and his investors will make from a liquidation. She says he will have to offer $20bn before stockholders sell out.

Gold Fields shares soar 56p

By Kenneth Gooding, Mining Correspondent, in London

CONSOLIDATED Gold Fields' share price jumped 56p to £12.75 in 30 minutes of hectic late trading yesterday amid rumours that the £2.9bn hostile bid by Minorco would not be referred to the Monopolies and Mergers Commission.

The Office of Fair Trading said it was still considering the matter.

It would not make a recommendation on a Monopolies Commission inquiry to Lord Young, the Trade and Industry Secretary, until early next week.

This suggests that Gold Fields may send to shareholders details of its financial arguments against the bid – including an asset valuation – before the OFT's decision is known because the first closing date of the offer is next Tuesday.

Analysts suggest that Gold Fields has been holding back the presentation of its financial case for tactical reasons.

The group may have hoped that the Monopolies Commission would be called in and Minorco would consequently have to drop its bid, thus removing the necessity for Gold Fields to reveal the financial part of its defence strategy.

About 700,000 Gold Fields shares changed hands yesterday.

There were also rumours of a counter-bid at about £15 a share.

With the Minorco shares, which have also been active during the last two days, up 18p at 681p last night, its offer is worth £12.90 for each Gold Fields share.

Gold Fields yesterday approached the UK Takeover Panel and urged it to halt the bid temporarily.

It argued that Lord Young's decision on Wednesday to call in Department of Trade and Industry inspectors to investigate possible insider trading in Gold Fields shares prior to the offer showed there was strong evidence that its register had been destabilised by shares passing from the company's normal shareholders to speculators trying to snap up a short-term profit.

The Panel is understood to be taking the request seriously and will take the matter up with Minorco and its advisers.

However, to stop the clock at this stage would set a enormous precedent and cost Minorco millions of pounds of money already spent.

The Panel has permitted short pauses in some previous bids, but never for more than a few days.

The DTI inspectors have had no time limit imposed on their inquiry

Mecca nears Pleasurama victory

By Philip Coggan in London

MECCA LEISURE, the bingo, holiday camps and night clubs group, last night appeared to be on the point of victory in its bid for Pleasurama, the leisure company – despite controversy yesterday over statements about its control of Pleasurama shares.

A tea-time raid on Wednesday plus further share buying yesterday carried Mecca's total of purchases and acceptances to 54.2 per cent.

However, 10.5 per cent has yet to go through the necessary documentation process and Mecca is not yet able to declare its offer unconditional. Under the Takeover Code, it has until Saturday, the 60th day of the bid, to do so.

Mr Barry Hardy, Pleasurama's finance director, said yesterday: "We're not admitting defeat until the offer goes unconditional."

A confused situation was not helped yesterday by early market rumours that Mecca had won and then by an announcement on Topic, the Stock Exchange's screen news service, that Mecca had only 45 per cent. This was swiftly corrected to 51.4 per cent; last night, Samuel Montagu, Mecca's advisers, and the Stock Exchange were blaming each other for the mistake.

The Pleasurama camp asked the Takeover Panel to look into the various statements and Mecca issued a clarification yesterday afternoon.

It eventually emerged that the Mecca camp had reached 51.4 per cent by Wednesday night and had bought 2.8 per cent yesterday.

The breakdown was as follows: it had received valid acceptances for 86m shares (39 per cent); had purchased and had settled for 8.9m shares (4.6 per cent); had purchased and was awaiting settlement on 21.8m shares (10 per cent); and had received acceptances, awaiting validation, on 962,000 shares (0.5 per cent).

Samuel Montagu is now checking the purchases and acceptances to avoid any double-counting. "We don't want another Birmid/Blue Circle situation," said Mr Anthony Blakelock, of Montagu, recalling a bid earlier this year which was found to have failed after a recount of acceptances.

The Takeover Panel is understood to be monitoring the situation carefully.

If the bid is successful, it will represent a considerable coup for Mecca, which is far smaller than Pleasurama. Last night, Mecca's market capitalisation was £164m against Pleasurama's £497m.

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INTERNATIONAL COMPANIES AND FINANCE

Cofide to buy 10% stake in Finarte

By Alan Friedman in Milan

COFIDE, the master holding group controlled by Mr Carlo De Benedetti, is expected to pay around L16bn ($11.9m) to acquire a 10 per cent equity stake in Finarte, the Milan-based business that combines Italy's largest art auction house with a range of financial services activities.

The deal, agreed between Mr De Benedetti and Mr Francesco Micheli, the Milanese financier who controls Finarte, follows an unsuccessful attempt by Mr Micheli to merge Finarte with *Euromobiliare*, an investment bank in which Mr De Benedetti is a key shareholder.

Mr Micheli's merger idea foundered *in the face of opposi*tion from Mr Raul Gardini, another key shareholder in Euromobiliare. As a result Mr *Micheli* agreed *10 days* ago to sell his own 10 per cent stake in Euromobiliare to Mr De Benedetti.

The *expected* purchase of Finarte shares implies a continuing rapport between *Messrs De Benedetti and Micheli*, although the latter, who has a 30 per cent direct stake in Finarte, will still have effective control.

The deal is not complete yet, but Mr Micheli is assembling a group of five or six of Finarte's minority shareholders who by selling together will create a 10 per cent block of shares. It has not yet been decided which subsidiary of the De Benedetti group will execute the deal.

Finarte expects 1988 pre-tax profits of L18.2bn, against L12.8bn in 1987. The Milan-based business controls 69.8 per cent of Sviluppo Finanziaria, *an investment* bank that is allied with Britain's Morgan Grenfell, which owns 5 per cent *of Sviluppo* stock.

Mr Micheli is best known for his crucial role in the 1985 hostile takeover by the Montedison *chemicals* concern *of the* Bonomi family's Bi-Invest property and finance group.

UBS sees steady profits

By William Dullforce in Geneva

UNION BANK of Switzerland (UBS) said yesterday that it expected its 1988 results to be about the same as last year's, when net earnings dipped 3 per cent to SFr753m ($482m).

Income had developed satisfactorily on the whole in the third quarter, with net interest income again climbing above the levels of a year earlier, UBS reported.

In off-balance-sheet business, uptrends in commercial commissions, currency and precious metals trading contrasted with setbacks in returns from financial operations.

Total assets at end-September totalled *SFr164.3bn* – a gain of SFr3.9bn or 2.4 per cent over the first nine months.

Following first-half *efforts to* deflate interbank operations, amounts due to banks showed a modest increase of only SFr200m to SFr29.9bn in the third quarter.

Pricing the key for DSM offering

Laura Raun previews the biggest share issue in Dutch history

Big and successful chemical companies abound, so one might wonder why the market seems eager to snap up another one. But investors at home and abroad are keenly awaiting the privatisation of DSM, the Dutch state-owned chemicals company.

Public flotation of one-third of its shares is tentatively planned for December, depending on final parliamentary approval and market conditions. DSM's drawing card is an attractive price for solid profits, management and finances plus a novel twist – energy. The Fl 1.3bn ($636.8m) issue will be the biggest share offering in Dutch history and the *closest thing to "people's* capitalism" seen in the Netherlands. Until now only small state holdings have been privatised because government intervention has always been modest. The Christian Democrat-Liberal Government has sold off stakes, but more with an eye to balancing its budget than promoting wider share ownership. Thus the international equity offering will be aimed primarily at institutional investors and only secondarily at private ones.

Institutional investors in Europe, the US and the Far East have indicated keen interest. *One rumour – presumably* exaggerated – has it that a Japanese banker arrived at the economics ministry, which administers state holdings, with a suitcase brimming with yen, ready to deal.

Pricing, as always, will be the key. Whether international investors will demand a lower price to compensate for the limited rights enjoyed by shareholders of Dutch companies is a crucial question.

Mr Hendrikus van Liemt, chairman of DSM, says the shares will be priced at the going rate on the Amsterdam bourse of seven to eight times earnings. That would amount to Fl 100-120 a share based on this year's expected earnings – a bargain by US or Japanese standards. A dividend in the range of 25-30 per cent is anticipated.

Compared with the industry, DSM started late in the day in chemicals, although it now ranks 16th among European chemical concerns with sales of Fl 8.98bn and profits of Fl 442m in 1987. Its basic strategy is *aimed* at low-cost and sophisticated production of commodity chemicals and cutting-edge technology in speciality ones.

Van Liemt: expansion in US is top priority

In commodity chemicals it *did* pioneering work in ethylenes and melamines and today makes a leading type of linear low-density polyethylene. In specialty chemicals it is forging ahead with engineering plastics and the trend toward intermediate processing. DSM has woven together a network of intermediate processing customers who tailor-design plastics for the increasingly complex electronics and *automotive industries*.

Agricultural chemicals, notably fertilisers, are a weak spot at the moment, having lost Fl 145m in the past two years, but the haemorrhaging is supposed gradually to stop now that two fertiliser plants have been swapped for the part of an ammonia plant not owned by DSM.

For most of its history DSM has been run like a private-sector company, without operating subsidies or much political meddling. Privatisation will extend that independence at a pivotal time, in the run-up to the single European market when freedom to juggle assets and tap the capital markets is vital.

DSM formerly was known as Dutch State Mines and is based in Heerlen in the lush and *rolling hills of Limburg*, where coal was mined until the 1960s. As early as the 1920s cokes were manufactured and gas byproducts were converted into fertilisers.

But it was not until the late 1960s that chemicals really took off. In 1965 it was decided to shut the coal mines because competition *from* West Germany and Poland was too stiff.

About 25,000 of the 35,000 jobs eventually were lost and to ameliorate the blow a *major* investment programme was launched to expand chemicals, especially petrochemical ones.

In the early 1980s DSM went into the red, like many competitors at that time, but quickly swung back into the black and has chalked up steadily *rising* profits since 1985. Earnings are expected to reach a record high of Fl 520m or more this year while the debt-to-equity ratio remains a healthy 60-40.

What sets DSM apart from most of the industry is its energy activities – management of the state's gas operations and oil and gas *exploration on its own* behalf. The *gas operations* originally were acquired because DSM had its own pipeline *distribution network for selling* coke gas to consumers and industry.

The state operations will stay in government hands after privatisation, but DSM will continue to receive an annual fee for managing them. The fee of around Fl 130m a year will help stabilise profits in a notoriously cyclical industry and is considered one of DSM's most attractive features.

The government activities were deconsolidated in 1986, slashing revenue by about half, but DSM continues to explore for oil and gas on its own account, mostly in the north sea. Mr van Liemt, who is 55, has spent his career at DSM, helping steer it from a provincial coal mining company to an international chemical concern. In 1984 he was appointed chairman and has sought to decentralise power and make decision-making more flexible.

In the future he wants foreign activities to expand faster than European ones, through organic growth as well as acquisitions. Most of turnover – 85 per cent – is in Europe now with another 5 per cent in North America and the remaining 10 per cent in the rest of the world.

Top priority is the US, where he would like to see sales double to 10 per cent, and second is the *Far East*, notably *Japan* and China. Prices of suitable takeover targets are exorbitantly high, he complains, but the likely sectors would be plastic processing, engineering materials and powder coatings.

The single European market of 1992 could save "several tens of millions of guilders a year" in logistics costs but many of the benefits of a barrier-free market already have accrued. That is because most of DSM's refineries are strategically located at the centre of a 140-mile radius which encompasses 150,000 industrial and commercial concerns and 50m inhabitants.

Mr van Liemt is confident that DSM can compete against southern European producers despite their lower wage costs.

Analysts warn, however, that DSM remains more vulnerable to the business cycle than many competitors because its product mix is more heavily weighted toward bulk chemicals. An economic downturn, thus, could trim *earnings growth* below its level this year.

A second tranche of shares, probably another one third, is expected to be floated by 1990 when the current Government's term ends. If a majority of the shares remained in government hands the company would be viewed sceptically, admits Mr van Liemt.

"That would be the worst of both worlds – caught between the private investor and the state," he adds.

DSM hopes to survive on its own two feet and will be heavily armed against hostile takeovers with highly protective Dutch corporate defences.

The Government retains controlling power through "golden" priority shares which carry the right to approve management decisions, issue shares and change the statutes. Those powers would diminish after a second privatisation tranche.

Mr van Liemt is too wise to rule out any eventual merger, including one with Akzo, the other big Dutch chemicals group. But he adds: "We have splendid co-operation with Akzo and we meet regularly. Today ... no, there will be no merger. But we don't know what the 1990s will bring."

Rauma-Repola bounces back into the black

By Olli Virtanen in Helsinki

RAUMA-REPOLA, the Finnish shipbuilding and forest products group, has returned to the black with a profit of *FM253m* ($57m) before appropriations and taxes for the first eight *months of the year, after a loss* of FM213m a year earlier.

The result includes *FM258m* from asset sales. Net sales increased by 8 per cent to FM5.39bn. Pre-tax profit under international accounting standards amounted to FM239m, including sales of assets totalling FM180m on the same basis. This compares with a loss of FM158m in 1987.

In the latest period Rauma was held back by a loss of almost FM200m at the shipbuilding and *marine* technology division. This was "much higher than expected," said Mr Tauno Matomäki, Rauma's president and chief executive.

The division's sales in January-August amounted to just FM326m, but because a number of deliveries will be made towards the end of the year sales for 1988 will reach FM1.3bn. The pulp and paper division's sales grew by 6 per cent to FM1.59bn.

Rauma's full-year profit, is expected to exceed last year's FM71m before appropriations and taxes.

Sharp first-half fall at CFP

By Our Financial Staff

TOTAL CIE Francaise des Petroles, the state-controlled oil group (CFP), reported yesterday that first-half earnings contracted sharply in response to weak prices *for* oil and petroleum products.

Consolidated net income after payments to minority interests fell to *FFr237m* ($38.3m) in the six months from FFr1.11bn a year earlier. Last year's result was adjusted for changes in accounting methods: it had initially been reported as a profit of FFr1.08bn.

Consolidated revenue fell 10 per cent to FFr40.03bn, partly due to CFP's decision to halt refining activity in Italy. First half 1987 revenue was FFr44.452bn.

Jefferson Smurfit and Bowater Inc at record

By Maggie Urry

TWO US paper groups – Bowater Inc and Jefferson Smurfit – announced record third quarter performances yesterday, and predicted the good market conditions would continue.

Bowater showed a third quarter rise of 80 per cent in earnings per share to $1.06, taking the advance for the nine months to 134 per cent to $3.16 per share. At the pre-tax level the rise was 50.5 per cent to $71.2m in the third quarter, and for the nine months pre-tax income was doubled to $221.2m.

Mr Anthony Gammie, chairman and chief executive, said shipments of newsprint had been cut by 21,000 tonnes in the third quarter compared with the second quarter because the company's largest newsprint machine had been closed for a month for rebuilding. Even so third quarter operating income from newsprint was up 6.3 per cent to $33.7m.

He said the only area of disappointment was computer forms, where operating income fell from $4.5m to $1.0m in the third quarter. Mr Gammie said he did not "see anything likely to interrupt the steady course of 1988 which already is the best year in our history."

Jefferson Smurfit Corporation, which is 78 per cent owned by the Irish-based group Jefferson Smurfit, announced a 17.7 per cent increase in pre-tax profits to $52.7m in the third quarter on sales up by 9.1 per cent to $308.4m. Earnings per share were 96 cents, a rise of 41.2 per cent.

For the first nine months of the year pre-tax profits were up 55.4 per cent to $161.4m and earnings ahead by 73.4 per cent to $2.74. Volumes in the group's paper packaging business have been up by 4 to 6 per cent.

The third quarter gain was despite a strike at the company's two newsprint mills in Oregon which began on July 6. The machines are being operated by salaried and temporary staff, and after a difficult July were approaching normal production levels in August and September. The company is in negotiations with the workforce.

The company said this was the 11th consecutive record quarter and it "anticipates that the strong operating environment which began in 1987 will last into 1989."

American Express falls 13%

By Anatole Kaletsky in New York

AMERICAN Express reported a 13 per cent decline in its net income despite strong growth in its core credit card and travel services business.

The setback came because of drastically reduced profits from its Shearson Lehman Hutton stockbroking subsidiary as well as tax related restatements of last year's profits by American Express Bank.

The company's consolidated net income for the third quarter was $289m or 66 cents a share, compared with a restated $324m or 74 cents a year ago. Consolidated revenues were up by 30 per cent at $829m, partly reflecting the acquisition of EF Hutton by Shearson Lehman Brothers, the stockbroking company in which American Express owns a fully-diluted stake of 61 per cent.

The core travel related services business, which includes credit cards and travellers cheques, increased its quarterly earnings by 18 per cent to a record $221m, while revenues rose by 24 per cent to $1.9bn.

IDS Financial Services, the company's insurance subsidiary also boosted earnings by 17 per cent to $40m.

Shearson's net income fell from $54m to $8.2m in the quarter as previously reported.

American Express Bank had net earnings of only $43m, compared with $71m a year ago. The decline was due largely to a $33m addition to the bank's year-earlier profits connected with new accounting standards for deferred tax benefits.

The bank also noted its strategy of making an "orderly exit from cross-border term lending" by selling Third World loans at steep discounts in the secondary markets or through debt-equity swaps. As a result, the bank's exposure to less developed countries has been halved to $1.1bn, compared with $2.2bn at the end of the third quarter last year.

Union Pacific foresees advance

By Our Financial Staff

UNION PACIFIC, the US transport and energy group, boosted third-quarter net profits 6.4 per cent to $165m and expects a significant full-year increase "even with the recent drop in crude oil prices," according to Mr Drew Lewis, the chairman.

In September the company agreed the $440m sale of its Wilmington refinery near Los Angeles to Ultramar of the UK. Divestments from the energy side continued on a smaller scale this month when Union Pacific relinquished its half-share of a Venezuela refinery, receiving $75m.

Operating earnings from exploration and production fell to $30m from $50m and extraction of other resources contributed $48m, down from $62m. Downstream operations, however, rose to $41m from $18m while the company's main rail-road business produced a record $138m result, up 22 per cent.

Revenues were $1.68bn compared with $1.51bn, and for the first nine months reached $4.80bn from $4.14bn, producing net profits up 3 per cent at $456m.

Net earnings per share were just on $4 compared with $3.57, or $1.44 for the latest three months against $1.35.

Schlumberger reports downturn

By Roderick Oram in New York

SCHLUMBERGER, one of the leading oil field services companies, has reported lower third quarter net profits from continuing operations, reflecting a downturn in oilfield drilling because of sinking crude oil prices.

The net from continuing operations was $112.2m, or 42 cents a share, against $151.6m, or 54 cents. The year earlier final net was only $1.7m after a $220m loss from a discontinued operation and an extraordinary gain of $70.1m. Revenues were virtually flat at $1.24bn against $1.22bn.

For the nine months, net profits from continuing operations were $357.2m, or $1.32, against $186.8m, or 67 cents. The final net in 1987 was $36.8m after extraordinary items. Revenues were $3.69bn against $3.43bn.

Mr Euan Baird, chairman, said: "The decline in oil prices during the quarter affected drilling activity, particularly in North America. Worldwide rig count was down 1 per cent compared with the same quarter last year. However, oilfield service revenue was $690m, up 13 cent on a comparable basis."

Row sparks three more resignations at Salomon

By Anatole Kaletsky in New York

SALOMON Brothers, the big Wall Street investment bank which has been riven by internal strife for more than a year, has suffered another sudden exodus of top executives. Mr Craig Coats, 41, the head of its government bond trading operations, Mr Ronald Stuart, 41, head of mortgage trading, and Mr John O'Grady, 46, head of sales to New York institutions, are leaving the firm.

The loss of Mr Coats in particular appears to be a serious blow for Salomon Brothers, a firm whose reputation has always rested on the skills and contacts of its bond traders.

Salomon officials have insisted that the resignations were amicable, and other bond traders confirmed that Mr Coats had been saying for some time that he was becoming restless and thinking about setting up a business.

Nonetheless, the suddenness of his departure, along with the decision of two other top market operators to leave at the same time, suggested that Mr John Gutfreund, Salomon's abrasive chairman, might be experiencing further difficulties in pulling together the many ambitious and competitive individuals who run his firm.

The three departing executives said only that they were planning to pursue their private investment interests and a Salomon spokesman added that there was no question of them recruiting other Salomon employees or setting up in competition with the firm.

Salomon officials also tried to emphasise that yesterday's resignations were quite different in character from some of the other departures which have shaken the firm recently, starting with the sacking of Mr Lewis Ranieri, the near-legendary head of the firm's mortgage-backed securities business in July last year.

Mr Ranieri left after a well-publicised clash with Mr Gutfreund over the whole management structure and future business of the firm.

Mr Ranieri's firing was followed over the next few months by a string of other resignations, including that of Dr Henry Kaufman, the head of the firm's research department, who was dissatisfied with Salomon's increasing involvement in highly-leveraged financings and junk bonds.

However, Salomon executives argued that yesterday's departures had no policy significance.

Mr Coats and his colleagues, as well as being less senior than Mr Ranieri and Mr Kaufman, had no disagreements with the way the firm was being run, they said.

Mr Gutfreund added that the departures were part of a natural "process by which leadership is passed from Salomon's former partners to the next generation."

Dominion Mining in acquisition talks

By Kenneth Gooding, Mining Correspondent

DOMINION MINING, an Australian company which in the space of 18 months has become a substantial gold producer, is negotiating acquisitions which would nearly double its projected output in the early 1990s, according to Mr Peter Walker, the managing director.

He said Dominion was in a position to snap up some of the bargain properties which were coming up for sale in Australia because it had a strong cash flow and the proceeds from a recent A$35m rights issue.

With current reserves and equipment, Dominion could produce 41,000 troy ounces of gold this year, 92,000 ounces in 1989 and 156,000 ounces in 1992.

However, said Mr Walker, if the acquisitions and other plans were completed, gold output would be about 256,000 ounces in 1991 and 261,000 the following year.

"This gold will be produced at costs comparible with today's – we are not in the business of high-cost gold production. We intend to stay low-cost and well-hedged," he told a meeting of London analysts and investors.

The cash cost of Dominion's gold production last year averaged A$320 an ounce. It sold forward 210,000 ounces at A$620 an ounce and hedged another 100,000 ounces under a "floor price programme" at the same average price per ounce.

"There are not many businesses where you can lock in profit this way," said Mr Peter Joseph, the chairman. He pointed out that the forward sales programme had secured A$200m of revenue over the next two or three years and enabled Dominion to hedge against gold price declines without giving up the ability to gain from substantial price rises.

Mr Joseph said Dominion was also committed to paying dividends whenever possible (both he and Mr Walker have substantial stakes in the company) and would ask shareholders to contribute funds via rights issues when necessary. The company paid dividends totalling A$4m for the financial year to June.

Dominion had also decided that, although the potential was great, it would be wrong to ask shareholders to fund the exploration being conducted on an enormous property (20,000 square kilometres) in the Kalimantan region of Indonesia; which inevitably would take considerable time to produce results.

So within two years the company hoped to have an aluvial gold scheme in operation to produce more than 20,000 low-cost ounces a year to finance the rest of the Kalimantan project.

Mr Walker said that when Dominion acquired the gold mining assets of Anaconda in 1985 it was expected that the Australian mines (Gabanintha in Western Australia, Cosmo Howley in the Northern Territory and the nearby Woolwonga property) would "be rabbits to finance the exploration in Indonesia to produce an elephant".

But now Dominion was confident of becoming one of Australia's medium-sized gold producers. "There is no doubt we will be producing 200,000 ounces of gold a year in three years," he said.

NORTH AMERICAN QUARTERLY RESULTS

AMERICAN BRANDS
Tobacco manufacturer

Third quarter	1988 $	1987 $
Revenues	2.68bn	2.49bn
Net income	147m	128.4m
Net per share	1.53	1.13
Nine months		
Revenues	8.28bn	7.18bn
Net income	432m	364.2m
Net per share	4.50	3.22

CHAMPION SPARK PLUG
Auto parts

Third quarter	1988 $	1987 $
Revenues	166.7m	157.9m
Net income	2.4m	1.8m
Net per share	0.07	0.05
Nine months		
Revenues	554.1m	426.4m
Net income	14.5m	12.9m
Net per share	0.41	0.34

EMHART
Machinery

Third quarter	1988 $	1987 $
Revenues	614.4m	612.3m
Net income	16.7m	14.7m
Net per share	0.38	0.33
Nine months		
Revenues	2.04bn	1.79bn
Net income	93.1m	80.1m
Net per share	2.10	1.28

LORAL
Defence electronics

Second quarter	1988 $	1987 $
Revenues	364.6m	336.9m
Net income	20.9m	17.3m
Net per share	0.84	0.70
Six months		
Revenues	702.5m	654.7m
Net income	40.6m	33m
Net per share	1.62	1.34

BRISTOL-MYERS
Drugs

Third quarter	1988 $	1987 $
Revenues	1.52bn	1.38bn
Net income	232.3m	200.2m
Net per share	0.81	0.70
Nine months		
Revenues	4.49bn	4.04bn
Net income	633.5m	535.6m
Net per share	2.20	1.87

CONSOLIDATED FREIGHTWAYS
Freight forwarders

Third quarter	1988 $	1987 $
Revenues	704.4m	539.3m
Net income	32.3m	15.4m
Net per share	0.81	0.43
Nine months		
Revenues	1.97bn	1.48bn
Net income	72.8m	54.0m
Net per share	1.93	1.40

ENGELHARD
Precious metals

Third quarter	1988 $	1987 $
Revenues	614.4	612.5
Net income	16.9	14.7
Net per share	0.36	0.33
Nine months		
Revenues	1.66bn	1.75bn
Net income	44.5m	37.1m
Net per share	0.99	1.32

MIDDLE SOUTH UTILITIES
Utilities

Third quarter	1988 $	1987 $
Revenues	1.09bn	1.07bn
Net income	171.7m	186.4m
Net per share	0.84	0.90
Nine months		
Revenues	2.70bn	2.68bn
Net income	352.8m	381.6m
Net per share	1.72	1.87

BAUSCH AND LOMB
Hospital supply, management

Third quarter	1988 $	1987 $
Revenues	251.9m	228.9m
Net income	28.7m	25.3m
Net per share	0.96	0.83
Nine months		
Revenues	713.9m	629.7m
Net income	69m	60.1m
Net per share	2.30	1.97

DUN AND BRADSTREET
Publishing

Third quarter	1988 $	1987 $
Revenues	1.07bn	920.8m
Net income	134.8m	115.7m
Net per share	0.72	0.62
Nine months		
Revenues	3.13bn	2.77bn
Net income	375.7m	334.6m
Net per share	2.01	1.80

GENERAL DYNAMICS
Aerospace, defence

Third quarter	1988 $	1987 $
Revenues	2.27bn	2.28bn
Net income	96.4m	111.5m
Net per share	2.29	2.62
Nine months		
Revenues	7.01bn	6.94bn
Net income	268.8m	342m
Net per share	6.39	7.99

NORTHROP
Aircraft manufacturers

Third quarter	1988 $	1987 $
Revenues	1.38bn	1.46bn
Net income	28.8m	34.1m
Net per share	0.61	0.73
Nine months		
Revenues	4.07bn	4.29bn
Net income	190.3m	59.3m
Net per share	4.05	1.27

AT&T warns of charges for plant obsolescence

By Anatole Kaletsky in New York

AT&T reported a big jump in profits despite a broadly flat revenue performance in the third quarter, as the US telecommunications giant's cost-cutting efforts began to yield results.

The company hinted, however, that large one-time charges could be in prospect as a result of the faster than expected obsolescence of its remaining non-digital switching equipment.

AT&T had net income of $587m or 55 cents a share in the third quarter, 16 per cent up on the $505m or 47 cents reported a year ago. This marked a considerable acceleration from the 8 per cent rate of earnings growth reported for the first nine months of 1988. During the nine month period, AT&T earned $1.673bn or $1.56 a share, compared with $1.546bn or $1.42.

However, the company's revenues grew in the quarter by only 3.2 per cent to $8.746bn. This rate of growth was roughly the same as in the nine month period, when revenues advanced by 3.4 per cent to $25.854bn. Service revenues grew in the last three months by 2.2 per cent to $5.163bn, while product sales increased by 12.3 percent to $2.837bn. Rental revenues continned their long term decline, falling by 11 per cent to $746m.

In the last nine months, service revenues climbed by 4.3 per cent and product sales were 10.2 up. AT&T said that calling volume increased by 5 percent, led by international and residential calls, while domestic business activity was weak as a result of growing competition from other long distance companies. Product sales were up across the board, with particular strength in telecommunications network eqnipment, consumer prodncts and lareg busines ssystems.

AT&T said that it planned to accelerate the conversion of its whole long-distance netowrk to digital switching, partly in order to meet competition from other companies. It now expected to carry 95 percent of its domestic switched network traffic on digital facilities by the middle of next year and to provide a 100 per cent digital service by the end of 1990.

This stepped up digitalisation programme raised the question of whether the analog equipment and related facilities had to be depreciated more quickly or written down in value, AT&T said. "Because this plant has a book value of $4bn to $5bn, the financial effects could be substantial," the company noted.

Sharp rise in profits at ITT

By Roderick Oram in New York

ITT, the diversified US conglomerate, has turned in another sharp increase in profits with strong contribntions from a number of its industrial and financial service segments.

Net profits for the three months ended September rose 26 per cent to $230m, or $1.60 a share, from $192m, or $1.27, a year earlier on a 9 per cent rise in revenues to $5.2bn from $4.8bn.

For the first nine months, net earnings were up 24 per cent to $637m, or $4.44 a share, from $544, or $3.57, on revenues ahead 9 per cent at $15.5bn from $14.3bn a year earlier.

ITT's Diversified Services segment encompassing insurance posted "significantly higher" earnings in the nine months mainly because of improved investment income at its Hartford insurance operations.

A "fresh start" tax benefit boosted the quarter's profits by 9 cents e share compared with 13 cents a year earlier.

ITT Financial and Sheraton Hotels also reported sizeable profit increases. Insurance and financial serices revenues were $3bn in the quarter versus $2.8bn a year earlier and $8.8bn in the nine months against $8.1bn.

Pulp and timber earnings from its Rayonier division donbled in the first nine months thanks to favonrable pricing and strong market conditions.

The group's defence technology segment had slightly lower profits in the nine months but expects to be strongly ahead for the full year.

News Corp plans $1bn of asset sales

NEWS CORPORATION, Mr Rupert Murdoch's Australian-based media company, plans asset sales of the order of US$1bn or more before next June to reduce debt after its $3bn purchase of the Annenberg family's Triangle Publications, Reuter reports from Adelaide.

Asset sales already announced total $477.5m for a gain of more than A$270m (US$220.9m).

Mr Richard Searby, chairman, told the annual meeting that current trading across the group's businesses worldwide remained satisfactory. News Corp boosted equity-accounted net profit to A$464.5m in the year to last June from A$366.4m.

Mr Searby said that Saturday and Sunday night ratings of its Fox Broadcasting network in the US continued to improve, with the result that the forecast first-quarter loss was substantially below both the budget and the year-earlier level.

From 1988-89, Fox would be accounted for above the line, he said. In 1987-88 its results fell within a A$136.9m extraordinary loss under start-up and termination costs. In Australia, Britain and Hong Kong, newspaper revenues and profits were running ahead of last year.

BankAm recovery gathers pace

By Anatole Kaletsky in New York

BANKAMERICA, the third biggest US bank group, which has recently been recovering from a long period of enormons losses, yesterdey announced a further big improvement in its quarterly profits and a strengthening of its previously precarious capital position.

BankAmerica earned $190m or 97 cents a share in the third quarter, 17 per cent up on its second quarter profits of $162m or 85 cents, and more than three times the $54m or 25 cents it made a year ago.

The latest quarter's net income was adversely affected to the tune of $15m by the non-accrual of loans to Argentina. But this was offset by a one-time net benefit of $17m connected with recent litigation in California.

BankAmerica's total allowance for credit losses at the end of the third quarter was $3.367bn or 5.04 per cent of all loans outstanding, compared with $3.263bn or 5.00 per cent a year ago. The company's total assets increased slightly during the quarter to $95.2bn from $94.3bn at the end of the second quarter. But assets were down 4 per cent, compared with the third quarter of 1987.

BankAmerica's ratio of common equity to assets stood et 3.26 per cent at the end of the latest quarter, compared with a year earlier level of 2.41 per cent.

BP America buys Mobil refinery

BP America, the British Petrolenm snbsidiary, announced yesterday that it has spent $152.5m acquiring a refinery and marketing outlets from Mobil, in the state of Washington on the West Coast of the US, writes Max Wilkinson.

The company says that this marks its first move to the West coast as a refiner and marketer. The refinery, at Ferndale, has a capacity of 79,000 barrels a day. Mobil and BP America have also agreed to exchange a number of marketing assets in the US.

INTERNATIONAL CAPITAL MARKETS

Canadian dollar sector shows signs of issue glut

By Dominique Jackson

FOUR FURTHER issues emerged in the Canadian dollar sector yesterday, taking the total issued so far this week to just under C$1bn, prompting speculation as to whether the most recent deals had been successfully placed.

Several syndicate managers attributed the continuing popularity of the sector largely to disaffection with the US dollar and growing nerves about the US presidential elections. The Canadian dollar itself continues to see strong demand and is approaching historical highs against its US counterpart.

This has proved a major attraction for several institutional investors, apparently including some Japanese accounts, who are now beginning to take a more active interest in the currency while the handsome yield pick-up offered by Canadian dollar bonds over their US counterparts continues to lure retail investors.

However, despite the bullish outlook for the currency itself, the sector remains far less mature than the dollar straight bond market and such a heavy weight of new issuance — largely swap-related — is bound to clog the sector.

"The question we are asking now is just who is left who has not yet borrowed in the sector," commented one senior new issues trader yesterday.

The inevitable consequence is that investors are becoming increasingly selective. Yet the huge volume of new paper seen over the last few days could mean that even fairly priced issues for well-regarded names have a more difficult passage than they would in less congested market conditions.

Increased investor selectivity was patent yesterday as four new deals totalling C$425m hit the sector. The most popular

INTERNATIONAL BONDS

among the latest batch of issues were reported to be last week's province of Saskatchewan and this week's Creditanstalt and Eurofima deals. The reception of yesterday's deals was further hampered by the fact that three of the deals all carried five-year maturities.

The issue which clearly received the warmest reception was IBJ International's C$150m for the World Bank which attracted attention from an extremely broadly-based group of investors as reflected in the co-management group.

The initial yield margin at launch over comparable Canadian government bonds soon narrowed by several basis points and the issue was bid comfortably within its total fees by the end of the day.

Another top-rank borrower to launch a deal in the sector yesterday was Swedish Export Credit with a C$100m bond via Bankers Trust International who said they had identified a gap in the two-year area of the market where little paper of comparable quality was currently available. The issue saw brisk demand, much of it from Europe, and was still within its fees by the end of the day.

The day's other two five-year deals were a C$75m issue for the City of Winnipeg via Wood Gundy and another C$100m for Fiat Finance and Trade, guaranteed by the parent company, through Salomon Brothers International.

The timing of both was deemed unfortunate in the shadow of the World Bank deal but both were well-supported around the level of total fees by the end of the day.

The West German market saw an interesting floating-rate note issue yesterday, hard on the heels of a DM200m FRN for the Bank of China earlier in the week. Yesterday's issue was a DM500m floating-rate note for a unit of Landeskreditbank Baden-Wuerttemberg which was led by Trinkaus & Burkhardt.

The deal has a seven-year maturity and offers investors an added protection against any possible decline in interest rates with an option to exchange the FRN into a fixed-rate bond.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
Australian Telecomm.(b)	150	12½	(98¾)	1992	n/a	Samuel Montagu & Co.
CANADIAN DOLLARS						
World Bank♦	150	10⅞	101⅞	1993	1⅞ ½	IBJ Int.
Fiat Finance & Trade♦	100	10¾	101.55	1993	1⅞ ⅝	Salomon Brothers Int.
Swedish Export Credit♦	100	10¼	101.30	1990	⅝ ½	Bankers Trust Int.
City Of Winnipeg♦	75	10¾	101¼	1993	1¾ ⅝	Wood Gundy
DEUTSCHE MARK						
LKB Finance N.V.‡♦	500	(a)	100	1995	20/15	Trinkaus & Burkhardt

**Private placement. ♦Final terms.‡Floating rate note. (a)Exchangeable for fixed bond. Coupon at 6 month LIBOR. (b)Exchangeable into domestic bond with same coupon & maturity.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅞	95⅜	-0⅛	+0⅛	9.28
Amer. Brands 8⅞ 92	150	†96½	97	-0½	0	9.93
A/S Eksportfinans 7⅛ 93	100	†94⅛	94⅝	-0⅛	+0⅛	9.00
A/S Eksportfinans 7⅛ 92	150	94⅞	95⅜	0	+0⅛	9.02
Barc. Bk. Fin. 10⅛ 89	200	†102⅛	102⅝	0	0	8.68
B.F.C.E. 7 92	150	94	94½	0	+0⅛	8.99
British Telecom 7⅝ 96	250	91⅛	91⅝	-0⅛	+0⅛	9.17
Cal.Nat'l.Telecom 8½ 93	160	†97	97½	+0⅛	-0⅛	9.27
Canada 9 96	1000	99⅞	100⅛	-0⅛	+0⅛	9.01
Canadian Pac 10⅜ 93	100	†102⅞	103⅜	0	0	9.82
C.C.C.E 7⅛ 91	123	†95⅛	95⅝	-0⅛	+0⅛	8.94
C.C.C.E 9⅛ 95	300	99⅞	100⅜	0	0	9.20
C.N.C.A 7⅛ 91	150	94⅛	95⅛	-0⅛	-0⅛	9.12
Credit Lyonnais 9 91	200	99⅞	100⅜	-0⅛	+0⅛	8.89
Credit National 8⅛ 93	200	96⅞	97⅛	0	+0⅛	9.03
Credit National 7⅛ 92	100	95	95½	-0⅛	+0⅛	8.98
Credit National 7⅝ 92	150	95⅛	95⅝	-0⅛	-0⅛	9.03
Dai-Ichi Kan 9⅛ 92	150	101	101⅛	0	-0⅛	9.22
Denmark 7⅛ 92	500	94½	94⅞	0	+0⅛	9.06
E.E.C. 7 91	100	94⅛	95⅛	0	0	8.89
E.E.C. 7⅛ 95	250	93⅛	94⅛	0	+0⅛	8.95
E.E.C. 8 90	350	98⅝	99⅛	0	0	8.68
E.I.B. 7⅛ 93	100	94⅞	94⅛	0	+0⅛	8.96
E.I.B. 9⅛ 97	150	100	100½	0	-0⅛	9.32
Elec. De France 9 98	200	97⅞	98⅛	-0⅛	+0⅛	9.31
Finland 7⅞ 97	200	91⅛	91⅛	-0⅛	+0⅛	9.38
Finland 7⅛ 93	200	93⅞	94⅛	-0⅛	+0⅛	9.06
Finn.Exp.Cd. 8½ 92	200	98⅛	98⅛	0	+0⅛	9.04
Ford Motor Credit 8 91	250	97½	98⅛	-0⅛	0	9.04
Gen Elec Credit 10⅛ 00	200	†100⅛	100⅞	0	0	10.16
G.M.A.C. 8 89	250	99	99⅛	0	-0⅛	0.09
Gen. Mtrs.Corp. 9⅛ 92	200	100	100⅛	-0⅛	0	9.06
Halifax BS 9⅛ 93	200	†100⅞	100⅛	0	+0⅛	9.30
Hoesch 8⅛ 97	100	†93	93⅛	-0⅛	0	9.43
Italy 9 90	1000	100½	101	0	0	8.56
L.T.C.B of Japan 8 91	100	97⅛	97⅞	-0⅛	0	9.02
L.T.C.B. of Japan 8 97	200	90⅞	91⅛	-0⅛	+0⅛	9.59
Mercds-Benz Cd. 8½ 95	100	†96½	97	-0⅛	-0⅛	9.18
Metropolis Tokyo 9½ 93	200	101½	102	-0⅛	0	8.96
Morgan Guaranty Tst. 7 90	150	97⅛	97⅝	-0⅛	0	8.95
Norway 8⅛ 93	500	99⅛	99⅞	0	+0⅛	8.87
Pepsico Inc 7⅛ 93	200	†94⅞	94⅞	-0⅛	+0⅛	8.84
Portugal 8⅞ 91	300	97⅛	98	-0⅛	-0⅛	9.35
Prudential Crp. 8⅛ 94	125	99½	100⅛	-0⅛	+0⅛	8.79
Qantas Airways 10⅛ 95	140	104⅞	105⅛	-0⅛	+0⅛	9.30
[illegible]						

DEUTSCHE MARK STRAIGHTS — [illegible]

SWISS FRANC STRAIGHTS — [illegible]

YEN STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

* No information available-previous day's price
† Only one market maker supplied a price

[illegible]

Novel four year issue by Telecom Australia

By Dominique Jackson

AN ANTICIPATED innovative issue for Telecom Australia (Australian Telecommunications Commission) finally emerged yesterday via Samuel Montagu.

The issue is exchangeable with the borrower's domestic stock, which carries the same coupon and maturity. It is the first time such a feature has been available in the Australian dollar sector.

The issue was originally announced in September, when a seven-year issue was mooted. However, the terms of the new issue were amended to respond to particular investor demand and yesterday's issue carried a 12½ per cent coupon and a 1992 maturity.

The novel structure of the deal was welcomed as an interesting attempt to boost liquidity in the Euro-Australian dollar market.

There is currently A$550m (US$416.3m) of the domestic stock outstanding. Illiquidity has been a factor often cited by institutional investors for their reluctance to commit themselves whole-heartedly to the sector.

The new issue is designed to maintain intact the withholding tax-free format of the Euro-issue while offering investors an opportunity to tap the high levels of liquidity of the domestic Australian bond market.

The lead manager said the co-management group reflected not only the houses which would direct bonds into institutional hands but also contained many banks with established retail networks. The lead manager added that the bond was well bid at a discount of 1.75, within total fees.

However, other houses specialising in the sector and not part of the underwriting group said they felt the investor was being charged too much for the new exchange feature, although they commended the innovative structure.

Although the lead manager had undertaken to maintain a two-way market in the bonds, some houses questioned the commitment of other market makers to the deal.

Investors in Eurobonds 'pay for anonymity'

By Stephen Fidler

A COMBINATION of the desire for Eurobond investors for anonymity and the desire of Eurobond market to win US business helps to explain why Eurodollar bond yields have remained significantly below US domestic bond yields for long periods, a new study shows.

The study, by two US academics published in the Continental Bank Journal of Applied Corporate Finance, suggests, however, that the large borrowing advantage that US companies have enjoyed in the Eurodollar market for much of the last 14 years will not persist indefinitely.

The conclusions are described by the two, Mr Wayne Marr of Tulane University and Mr John Trimble of the University of Tennessee, as an educated guess, since documented statistics on the subject are limited.

The suggestion is that investors in the Eurobond market are willing to pay a premium for secrecy. These buyers include institutional investors, many of which have a legitimate desire for anonymity, and retail investors, some of which wish to hide illicit activities.

It suggests that in the years 1977 to 1984 there was an increase in demand from investors seeking anonymity. This stemmed from, among other things, increased consumer demand, as middle class society began to accept the drug, which resulted in increased returns on drug trafficking.

Banks in the Euromarket are the only banks with established distribution networks to investors seeking anonymity, but because they wish to expand their links in the US markets they have been willing to share the price premium on Eurobonds with US borrowers.

INTERNATIONAL CAPITAL MARKETS

Long gilts slip after unfavourable data

By Stephen Fidler in London and Robert Vincent in New York

HOPES OF lower short-term interest rates in the UK faded yesterday after the publication of money data for September. The result was to deflate expectations in the UK government bond market ahead of the important Mansion House speech by Mr Nigel Lawson, Chancellor of the Exchequer, last night.

GOVERNMENT BONDS

The Bank of England reported that M4 bank and building society lending rose by £7.7bn last month, significantly above expectations. Prices at the long end of the market ended about ½ point lower.

Mr Lawson is expected to clarify the Government's position on whether it intends to continue its full funding policy, which has propped up the gilts market over the last six weeks since the budget surplus forces the Bank of England to buy stock in the market.

THE LOWER dollar put pressure on US Treasury bonds but weaker oil prices offset the impact to leave prices slightly higher by midsession yesterday. The benchmark 30-year issue rose ⅛ to 102⅜ to yield 8.88 per cent.

The dollar was down against both the D-Mark and yen in early New York trading. After recovering slightly it was being quoted at DM1.802 and Y127.15.

Oil prices, which had advanced sharply on Wednesday, were lower in early, light trading, dominated by profit-taking. November crude was trading at $15.10 a barrel, down 30 cents on the price in late-Wednesday trade.

But dealers were hesitant about altering their positions to any great extent before the Opec meeting in Madrid, which started yesterday, had got fully underway.

They were also waiting for definite word from Congress on the Tax Bill, which contains a provision giving the Treasury unfettered long bond authority. The expectation now is that Congress will not be able to come to terms over the bill before the recess, which will probably start at the end of this week.

THE FRENCH government bond market also weakened, as the French franc slipped to new lows against the D-Mark. Benchmark 10-year bond yields fell by ⅛ point and the December contract on the Matif closed 25 basis points lower.

A realignment of the European Monetary System is considered unlikely but investors are deterred by the expectation that further rises in French interest rates are on the way. The ¼ point rise in short-term rates signalled earlier this week is not considered sufficient to protect the franc, and the Government is expected to move as early as next week to raise rates further.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	111-09	-6/32	9.95	10.08	10.40
		8.750	9/97	95-04	-2/32	9.58	9.67	10.02
		9.000	10/08	100-05	-9/32	8.98	9.05	9.36
US TREASURY*		9.250	8/98	102-31	+5/32	8.79	8.85	8.97
		9.125	5/18	102-29	+18/32	8.85	8.95	9.06
JAPAN	No 105	5.800	12/97	101.8579	-0.131	4.71	4.70	5.18
	No 2	5.700	3/07	106.5082	-0.103	5.02	5.00	5.37
GERMANY		6.500	6/98	100.9000	-0.075	6.39	6.46	6.61
FRANCE	BTAN	9.000	7/93	101.5166	-0.135	8.57	8.48	8.56
	OAT	8.500	6/97	98.5500	-0.375	8.73	8.63	8.82
CANADA*		9.500	10/98	98.6250	0.250	9.72	9.84	10.02
NETHERLANDS		6.500	7/98	101.9250	-	6.26	6.28	6.56
AUSTRALIA		12.500	1/98	103.8519	-0.143	11.79	11.93	11.71

London closing. *denotes New York close
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Dillon, Read buys Générale holding

By Stephen Fidler

DILLON, READ, the privately-held US investment bank, said yesterday it had bought the 50 per cent shareholding in its London operation held by Société Générale de Belgique, Belgium's largest holding company.

La Générale said the move was part of its previously-announced strategy to dispose of businesses in which it did not have operational responsibility, and did not reflect a judgment of the business. It said it could disclose no financial details, including the capital gain on the transaction.

The joint venture – Dillon, Read Ltd – had been in operation since 1986. Since then the company has increased its presence in core businesses, including corporate finance, mergers and acquisition, research and sales and investment management.

The firm's plans to expand further its European presence will not be affected. Co-operation between the two companies will continue.

Finnish paper group raises Euro-$50m

By Maggie Urry

KAJAANI, the Finnish forest products company, said yesterday it had launched a $50m Eurocommercial paper programme. The programme was arranged by Kansallis Banking Group, with County NatWest appointed as dealers.

Kajaani, based in central Finland, makes newsprint, magazine paper, doors, windows and timber products. During the 1980s it has been investing heavily in building new machinery and modernising its existing machines. It is also building a new pulp mill in a joint venture.

Kajaani exports 72 per cent of its products, with the UK accounting for 22 per cent of group sales in 1987.

The company has seen strong profit growth recently. In the eight months to August, pre-tax profits were 42 per cent ahead at FM86m ($20.4m).

Banker calls Swiss bourse an anachronism

By William Dullforce in Geneva

THE SWISS Stock Exchange was an anachronism in its current workings, Mr Hans-Joerg Rudloff, one of Crédit Suisse's general managers and deputy chairman of Crédit Suisse First Boston, said yesterday.

If reforms were not dramatically accelerated, the market for Swiss equities would be lost to London, he warned.

Swiss brokers report an increase in trading in Swiss stocks over the past few weeks on Seaq, the system used by the London international market where several London firms have started market making.

This is contrasted with lacklustre business on the Swiss exchanges, but some brokers there argue that the London trading represents no more than a revival after the complete abandonment of business in Swiss equities immediately after last year's stock market crash.

However, in Mr Rudloff's view, the necessary reform of the Swiss exchanges was being delayed by an attempt to "find a consensus that would defend all the particular interests of the industry."

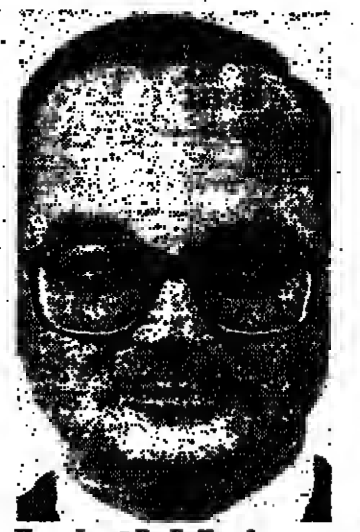
At present, the Swiss stock market served the interests of a few principal actors but not those of either institutional or individual investors, he said.

The classification of Swiss shares into registered and non-registered, which Swiss companies exploit to defend themselves against takeovers, was an instrument of control and power that would eventually have to cede to market forces, Mr Rudloff said.

Big Swiss multinational companies and banks would not be able to find a capital base in Switzerland to finance their expansion, but foreign investors would not accept that the companies and banks were controlled by holders of 10 per cent of the capital in Switzerland.

Mr Rudloff was addressing a seminar of chief executives organised by Swirez Ernst and Whinney, the Geneva-based subsidiary of the US auditing and financial consulting group.

Switzerland had benefited for the past 80 to 100 years from the inflow of capital from private individuals fearful of political and economic turbulence in Europe, he said.



Hans-Joerg Rudloff: reform being delayed

With the construction of the European Community the situation had now totally changed and Swiss banks had to learn how to serve not customers driven by fear but clients who would choose the most competitive service.

Two years ago, after building up a formidable reputation as a dealmaker in London with CSFB, Mr Rudloff, a West German, became the first foreigner to join the executive board of a big Swiss bank.

He is generally credited with having instigated the changes in the rules of the big Swiss banks' underwriting syndicate that have allowed foreign banks to lead manage new bond issues.

While remaining a Crédit Suisse general manager, he will again be spending more time in London running the European end of CS First Boston, the international investment banking group created earlier this month from the $1.1bn merger of CSFB and First Boston.

Mr Rudloff delivered his home truths on the Swiss equities market two days after the Swiss Bankers' Association had published its own study and proposals for reform of the stock exchanges.

It found that the current market, spread across seven exchanges, was too complicated in structure. This decentralisation reduced liquidity and impaired both the transparency of the market and efficient price-fixing.

Other criticisms touched on the big differences in nominal value and legal standing of the stocks issued by a company and the inadequate disclosure of information relevant to investors by companies whose shares are widely spread among the public.

As a remedy, the association proposed that the present "open outcry" trading system practised on the exchange floors be abandoned in favour of a nationwide electronic bourse.

The successful functioning since May of the all-electronic Swiss Options and Financial Futures Exchange (Soffex) has encouraged the association to believe in the feasibility of an electronic Swiss stock exchange.

A further improvement expected to be introduced shortly is the publication of daily trading volumes for individual stocks.

Barcelona bids for Spanish futures debut

By Peter Bruce in Madrid

THE BARCELONA Stock Exchange has put in a bid to open Spain's first futures market next year, in an effort to narrow Madrid's huge lead as the country's financial hub.

Officials from the Barcelona bolsa met Bank of Spain technicians earlier this week to present proposals which could lead to the first futures contracts being traded late next year.

Barcelona's new push comes amid fears in Bilbao that the market there might be forced to close once Spain's new stock market regulations begin to come into force in 1989.

Mr Walter Scherk, head of research and new markets at the Barcelona bolsa, said yesterday the futures market would trade two public debt contracts initially – a notional three-year bond with a 10 per cent coupon and a 90-day repurchase contract.

Spanish Government Treasury Bills (Pagares del Tesoro), Treasury notes (Letras del Tesoro) Treasury Bonds (bonos and obligationes del Estado) dominate the country's bond markets.

In March this year, net government debt amounted to Pta12,680bn – 36 per cent of the credit system and some 40 per cent of national GDP in 1986. By March this year, about 96 per cent of this debt was securitised compared with only 25 per cent in 1980. "I would say we are pretty far advanced," said Mr Scherk of Barcelona's plans.

The bolsa needs Bank of Spain permission to operate the new market in order to win an authorised regulatory framework for itself.

Mr Scherk said agreement had already been reached with the International Commodities Clearing House (ICCH) for software to run the market and to link it with other futures markets in Europe.

Membership of the new market, he said, would be open. Senior Barcelona bankers met with bolsa officials last week and a commission has been set up to study its prospects.

Most of the big Catalan banks and savings banks, including La Caixa, Spain's biggest deposit holder, would be expected to join it although some bankers in Barcelona expressed scepticism about the proposal yesterday.

The new market is understood to have won early backing from Mr Ramon Trias, the Catalan Finance Minister. The fiercely independent Catalans have tried in vain for centuries to move Barcelona out of Madrid's long financial shadow but Madrid's rapid acceleration as a financial centre in the past few years has made catching up a hard task.

The futures proposals have also come to a head amid worrying signs of a slowdown in activity at all four of Spain's stock exchanges. Although market indices recovered quickly from last October's crash, research published yesterday shows that the volume of fixed and floating-rate securities traded in the first nine months of this year is about 32 per cent down on the period last year.

Volume in Madrid fell 33 per cent to Pta1,960bn ($16.4bn), in Barcelona by 29.5 per cent to Pta425.9bn, in Valencia by 15 per cent to Pta126bn and in Bilbao by a massive 47 per cent to Pta128bn.

Hambros unit lifts stake in broker

By Our Financial Staff

HAMBROS Australia, part of the UK investment banking group, has raised its stake in Hambros Strauss Simon, an Australian stockbroker, from 42 per cent to 51 per cent.

Other shareholders in Hambros Strauss Simon include SGST Securities, a London broking firm 60 per cent owned by Hambros and Société Générale of France, and the local management. The price at which shares changed hands was not disclosed.

KLM in perpetual notes issue

By Dominique Jackson

KLM ROYAL Dutch Airlines added its name to the list of European companies to make an issue of subordinated perpetual notes, following a similar issue by Bull, the French state-owned computer company, earlier this week.

J.P. Morgan will lead the $400m issue.

The notes pay interest at a floating rate of ⅛ per cent over the London interbank offered rate for the first five years and Libor plus 0.45 per cent thereafter. KLM said the issue was intended for the reinforcement of its capital base. The notes will be repackaged after issue so that the perpetual notes are, in fact, paid off after 12 years.

● Girozentrale Vienna has established a $400m Eurocertificate of deposit programme for its London branch, and has appointed J.P. Morgan, Swiss Bank Corporation Investment banking and Shearson Lehman Hutton as dealers.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 20 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Oct 19 Index No.	Tue Oct 18 Index No.	Mon Oct 17 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (210)	821.51	+0.1	10.51	4.00	11.76	22.85	820.78	816.86	815.36	796.31
2 Building Materials (28)	1033.13	-0.1	11.78	4.26	10.48	27.52	1034.40	1026.57	1025.89	1026.09
3 Contracting, Construction (36)	1623.49	[illegible]	12.49	3.64	11.35	40.49	1623.47	1611.96	1616.34	1532.76
4 Electricals (12)	2241.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (29)	1772.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (57)	430.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	499.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	1371.95	[illegible]	9.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (186)	1099.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	982.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (123)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (77)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (720)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Oct 19	Oct 18	Oct 17	Oct 14	Oct 13	Year ago
FT-SE 100 SHARE INDEX ♦	1864.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES		Thu Oct 20	Day's change %	Wed Oct 19	xd adj. today	xd adj. 1988 to date
British Government						
1	5 years	120.11	-0.01	120.13	—	9.71
2	5-15 years	137.50	-0.11	137.65	—	11.51
3	Over 15 years	148.80	-0.25	149.17	—	12.44
4	Irredeemables	174.31	-0.03	174.36	—	8.84
5	All stocks	134.61	-0.10	134.75	—	10.10
Index-Linked						
6	5 years	129.86	+0.02	129.83	—	1.81
7	Over 5 years	125.48	-0.06	125.55	—	2.96
8	All stocks	125.64	-0.05	125.71	—	2.85
9	Debentures & Loans	118.04	+0.07	117.96	—	9.49
10	Preference	88.58	+0.50	88.14	—	5.88

AVERAGE GROSS REDEMPTION YIELDS			Thu Oct 20	Wed Oct 19	Year ago (approx.)
British Government					
1	Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2		15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5		15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High Coupons	5 years	[illegible]	[illegible]	[illegible]
8		15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked					
11	Inflation rate 5%	5 yrs	2.92	2.92	[illegible]
12	Inflation rate 5%	Over 5 yrs	3.71	3.78	[illegible]
13	Inflation rate 10%	5 yrs	2.96	2.96	[illegible]
14	Inflation rate 10%	Over 5 yrs	3.53	3.52	[illegible]
15	Debs & Loans	5 years	11.00	11.00	[illegible]
16		15 years	11.00	11.00	[illegible]
17		25 years	10.68	10.69	[illegible]
18	Preference		11.17	10.22	[illegible]

♦Opening index 1857.0; 10 am 1860.9; 11 am 1856.4; Noon 1855.4; 1 pm 1855.4; 2 pm 1855.5; 3 pm 1858.4; 3.30 pm 1858.0; 4 pm 1858.5
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
Racal Telecom, as a subsidiary of Racal Electronics, is not eligible for inclusion in the Actuary indices.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	88	21
Corporations, Dominion and Foreign Bonds	5	19	25
Industrials	365	374	852
Financial and Properties	147	130	393
Oils	22	34	49
Plantations	0	0	13
Mines	23	57	109
Others	39	112	102
Totals	604	814	1,564

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renun. Date	1988 High	1988 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1988 High	1988 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1988 High	1988 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct 10
● Last Dealings Oct 21
● Last Declarations Jan 12
● For settlement Jan 23

For rate indications see end of London Share Service

Calls in Ryan Int, Norex, A&M Group, Wilshaw, Wingey, Charter Cons, Unilock, Astra Trst, Lloyds Chem, Blacks Leis, Blue Arrow, Owners Abroad, BSG, Hambro Countryside, Suter, Chloride, gateway, Eagle Trst, Trinova, Kale. Puts in Brent Walker.

LONDON TRADED OPTIONS

Option	Calls			Puts		
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

October 20 Total Contracts 47,416 Calls 29,885 Puts 17,531
FT-SE Index Calls 2103 Puts 2570
*Underlying security price.

INTERNATIONAL COMPANIES AND FINANCE

Elders IXL challenges S&N 'poison pill' move

By Lisa Wood in London

ELDERS IXL, the Australian group making a £1.6bn ($2.8bn) takeover bid for UK brewer Scottish & Newcastle, yesterday questioned the brewer's experience in the holiday business following its £42.5m acquisition of a 50 per cent stake in Pontin's.

The Australian brewing, financial and pastoral group said the acquisition – announced the day after Elders' bid was launched – was a large and expensive commitment for S&N in an area where it had no experience. Elders described the deal as bad for S&N on "financial, operational and commercial grounds."

The deal commits S&N to acquire the rest of Pontin's at a price which values the holiday business at £100m should the brewer be taken over.

S&N, which is putting its own Langdale time-share business, into Pontin's, has denied that the 50 per cent stake is a "poison pill" and that the acquisition is a logical business extension for it.

Elders, which has built up a 9.65 per cent stake in S&N since February, yesterday bought a further 1.25m shares yesterday at its offer price of £4 per share. The price had dropped below £4 earlier this week because of fears that the bid will be referred to the Monopolies and Mergers Commission.

Elders' desire to top up its stake, when and if the share price falls below £4 per share, is mitigated by the fact that should the bid be referred to the MMC it would be costly to hold onto the stock.

Mr John Elliott, chairman of Elders, which already owns Courage, located in the south of England, yesterday told the Scottish business community that his bid would be in the interests of Scotland.

On Thursday a report in a British newspaper that said that should Elders' bid be referred to the MMC Mr Elliott might reconsider his decision to locate the global headquarters of his brewing business in Scotland.

In its offer for S&N, Elders – in an attempt to be sensitive to the Scottish lobby – had said that it intended to float its worldwide brewing activities on the London Stock Exchange in two years and base the business in Edinburgh.

Mr Elliott, speaking in Edinburgh yesterday said he wanted to acquire S &N and bring together his worldwide brewing interests in one headquarters: "Any suggestion that the bid should be referred is against the interests of Scotland," he said.

Asko shares drop as part of issue not taken up

By Haig Simonian in Frankfurt

SHARES in Asko, the fast-expanding West German retailer, dropped heavily yesterday as certain unnamed large shareholders declined to take up their rights in its DM570m ($498m) capital raising announced last week.

As a result, Deutsche Bank, which is leading the rights issue, announced it would place 300,000 Asko ordinary shares, which would not be entitled to the rights issue, in the market at DM850 a share. The news triggered a fall in the company's cum-rights share price to DM875 before a recovery to around DM900.

Asko has regularly called on its shareholders in recent years to finance its rapid expansion, which has largely come by acquisition. However, sales and profits have also grown considerably.

The news that some shareholders had declined their rights immediately spurred speculation as to which investors might be involved. Analysts suggested that Massa, the discount retailer in which Asko now holds almost 50 per cent of the shares and which has around 20 per cent of Asko's equity, might be involved.

Montsanto lifts third-quarter profits by 16%

By Our Financial Staff

MONSANTO, the big US chemicals, agricultural products and pharmaceuticals group, lifted third-quarter net profits to $116m or $1.67 a share against $100m or $1.30 a year earlier. Sales rose $2.02bn from $1.9bn.

Nine months net earnings were $546m or $7.57 a share against $392m or $5.01. Sales increased to $6.41bn from $5.79bn.

The company said the third-quarter profit rise reflected the strength of its agricultural and chemical units, both of which reported healthy international demand for their products.

Sales of its Roundup herbicide were good outside the US, while the chemical division's turnover benefited from the continued high rate of US car production.

Monsanto said it expects an increased fourth-quarter operating loss at its G.D. Searle pharmaceutical unit due to new product marketing costs.

British water companies establish joint venture

By Richard Evans in London

THREE statutory water companies in Britian have launched a joint venture in preparation for the privatisation of the industry next year and in an attempt to make them less vulnerable to takeover.

The Mid Kent, Eastbourne, and Folkestone and District water companies are to share relevant information technology and capital resources. It is the first time such a collaboration has taken place among the 28 water companies in England and Wales, and it could be a pointer to the changing shape of the industry after privatisation.

The three companies recognise common operational needs and the benefits that would result from the use of shared resources prior to privatisation and the widespread introduction of domestic metering over the next decade.

The initial investment involved between the three companies is £2m ($3.4m) over the next five years, mainly on information technology supplied by ICL, the UK computer group. More collaborative ventures are expected to be announced over the next few months.

Many of the statutory water companies feel vulnerable to takeover by unwelcome predators such as the 10 much larger water authorities when they become public limited companies under the British Government's privatisation proposals at the end of next year.

In the run-up to privatisation there have been a number of takeovers and stake-building in water companies, primarily by aggressive French water suppliers who want a base in the UK from which to operate after privatisation.

Takeover pressures are certain to increase after privatisation, when the statutory companies as well as the authorities will have the right to become public limited companies.

Cofir to make large cash call

COFIR, the Spanish investment arm of Italian financier Carlo De Benedetti, is to ask shareholders to approve a Pta12.1bn ($101m) cash call to fund acquisitions, Reuter reports from Madrid.

Approval for the call would be sought at an extraordinary shareholders' meeting on November 12. It would take the form of a five-for-eight rights issue priced at 220 per cent of par value of Pta1,000.

Completion of the rights issue would give Cofir equity of Pta32bn and company capital of Pta14.8bn. The company said that it plans to announce a major new investment in the next two weeks.

INTERNATIONAL COMPANIES AND FINANCE

NZ to tighten takeover regulations

By Dai Hayward in Wellington

NEW ZEALAND is to tighten its takeover laws to prevent control of a company going to a share raider holding only a minority stake and also to protect the interests of small shareholders.

The move is part of an effort to tighten company law and stock market activities. Under the planned legislation, to be introduced as soon as possible, anyone acquiring more than 30 per cent of a company would have to make a full takeover offer for all the shares. All shareholders must be offered the same terms.

In the past there has been considerable criticism of takeover deals where a company acquired 51 per cent control often by acquiring large blocks of shares and at above market price, then ignoring smaller shareholders.

This was particularly prevalent during the market boom of 1985-86.

Mr Geoffrey Palmer, Justice Minister, said he believed the law would help restore confidence in the market.

The recommendation for the change came in a two-volume Securities Commission report reviewing New Zealand company law.

The commission said that under the present regulations there was not enough open competition in the market for control of companies.

Mr Palmer said the report showed the share market "had forgotten" the fundamental principle that all investors should share in a company's gains or losses equally in proportion to their holding.

Higher gold prices help lift Anglo

By Jim Jones in Johannesburg

THE September quarter was a period for marking time at the gold mines managed by Anglo American, South Africa's largest mining house.

Higher rand gold prices allowed all but one of the group's six gold producers to increase operating profits despite mid-year wage increases, which lifted the cost of mining and processing each ton of ore by about 6 per cent.

Nevertheless, the cost increases and generally lower gold recovery grades are likely to be used to underscore Consolidated Gold Fields' contention that the hostile bid for Gold Fields in London by Anglo's Minorco offshoot is designed to give the Anglo group access to less costly mines.

A higher milling rate, which normally helps curb unit cost increases, did not obviously help Freegold, the country's largest gold mine. The mine processed 6.54m tonnes of ore and dump material in the September quarter against 6.30m tonnes in June, but had to contend with a 6 per cent cost increase.

The mine's overall recovery grade continued to fall, from 4.22 grams per tonne (g/t) to 4.14 g/t.

Vaal Reefs, the country's second largest gold mine, lifted its recovery grade but at the cost of a fractionally lower milling rate. Unit costs increased by only 1.4 per cent over the quarter, explained by the fact that the mine's northern section completed its recovery from last year's three-week strike and raised its milling rate and grade. Grade and tonnage slipped at the southern section.

Further east in the Transvaal, Western Deep Levels increased the rate at which it processes underground ore as it, too, completed its recovery from last year's strike. Slower shaft sinking rates allowed more gold-bearing reef to be hoisted to the surface and the increase in underground ore was accompanied by a corresponding reduction in the amount of waste material milled.

Neighbouring Elandsrand suffered a lower mill throughput, grade and profit. Nearer Johannesburg, gold and uranium production declined at Ergo, the dump processing operation. Operating losses have led to the closure of the small underground mine operated at Ergo's Simmergo division.

ANGLO AMERICAN GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings per share (cents)	
	Sep 88	June 88	Sep 88	June 88	Sep 88	June 88
Elandsrand	2,970	3,150	43.68	45.22	24.7	27.0
Ergo	2,896	2,960	26.26	19.85	34.7	30.4
Freegold	27,052	26,579	274.50	209.18	85.0	75.7
SA Land	346	360	1.11	1.16	11.5	13.2
Vaal Reefs	20,335	20,097	155.70	169.70	448.9	469.9
W. Deep	10,291	10,075	103.80	108.70	163.9	161.0

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Holmes à Court returns to the ring

Chris Sherwell on the Australian entrepreneur's re-emergence on the corporate scene

MR Robert Holmes à Court, the Australian entrepreneur who sold his Bell stable of companies after the stock market crash, has re-emerged on the corporate scene to do battle with Mr John Elliott's Elders IXL and others.

The target is Sherwin Pastoral, which has a string of large properties spread across the continent and populated by hundreds of thousands of head of cattle. It was listed in 1986, but has suffered from droughts and questions over stock numbers, and is running at a loss.

Elders, which is one of Sherwin's main creditors and has a 20 per cent stake, said last week it would stand in the market to buy Sherwin shares at 88 cents with a view to selling off the assets. Bankers Trust Australia promptly stepped in, has picked up a shareholding of at least 15 per cent and is looking for more.

Mr Holmes à Court, in a move redolent of the past and coinciding with the anniversary of the crash, has now launched a A$1.02 per share bid for Sherwin, which matches the group's reported net asset backing and values the group at around A$72m (US$56.7m). He is thought to hold a small stake in Sherwin.

If successful, the bid will add considerably to his already large property holdings at a time when there are also high hopes for Australia's beef industry because of Japan's decision to open its market. At worst, he will be well placed to argue with other interested parties over the spoils. Those interests include Mr Peter Sherwin himself, who controls an estimated 34 per cent of the company.

Mr Holmes à Court's move follows increasing speculation over his likely business strategy in the wake of his sale of the Bell companies earlier this year to Mr Alan Bond's Bond Corporation and the Western Australian State Government Insurance Commission.

Although widely regarded as a casualty of the crash, his wealth is estimated at A$500m, not significantly different from the level he is said to have enjoyed two years ago. Newspaper articles have tried to document his establishment of various companies and offices as the foundation of a new private corporate empire.

This, it is said, is to be based on property – urban, suburban and rural – and may even involve part of the Bell business which he sold. But so far he has refrained from offering any comment on his moves.

He has made the Sherwin offer conditional on the board agreeing to recommend it to shareholders within seven days and on 50 per cent acceptance. In addition, it is subject to Sherwin giving him access to its properties and to information about assets, liabilities and, in particular, cattle numbers, within 14 days.

Formosa advised against bank plan

By John Elliott in Hong Kong

THE Hong Kong Government is believed to have advised Formosa Plastics, Taiwan's biggest private sector company, not to press ahead with a plan to try to buy a controlling stake in the colony's Wing On Bank from Hang Seng Bank.

The Taiwan company recently approached Sir Quo-Wei Lee, chairman of Hang Seng, which is itself part of Hongkong and Shanghai Banking Corporation, seeking to buy Hang Seng's 50.3 per cent stake. Hang Seng acquired the stake two years ago when it rescued Wing On from financial collapse, and Sir Quo-Wei recommended that the Taiwan company approach the Hong Kong Government before making a bid.

It is the policy of the Hong Kong Government that banks in the colony should not be controlled by non-banking concerns which might not fully appreciate the extent of banking risk and the need to provide financial support in time of trouble.

However, it is understood that this need not rule out a non-banking company linking up with an established bank to make a bid.

Sir Quo-Wei also told Formosa that he would not agree to his bank selling control without the Kwok family, which controlled the bank before the financial collapse, also selling its substantial stake.

Last year the Peking-controlled China Resources failed in a takeover bid for Wing On, which ranks about 23rd among Hong Kong banks.

Tel Aviv suspends trading in shares of four banks

TRADING IN the shares of Israel's four leading financial institutions – Bank Hapoalim, Bank Leumi le-Israel, Israel Discount Bank and United Mizrahi Bank – has been suspended on the Tel Aviv Stock Exchange until Monday as the recycling of US$3.6bn in state-guaranteed bank shares reached its climax, Andrew Whitley writes from Jerusalem.

The bulk of the shares falling due for redemption on October 31 – in the third stage of the bank rescue programme mounted by the government five years ago, following a violent stock market crash – are believed held by institutional investors, including the banks themselves.

This had been thought likely to facilitate the Government's goal of limiting the additional funds it would have to inject into the economy to meet redemptions. But, on preliminary figures, it appears that despite an expensive publicity campaign only 40 per cent of "arrangement" shareholders plumped for the Treasury's offer of an alternative savings scheme.

Maturing securities are being replaced with three-year, index-linked government bonds fully tradeable on the local stock market. Trading in the new bonds, which have a 6.5 per cent net annual yield – linked to both the US dollar and the domestic cost of living index, whichever is higher – will begin on Sunday.

Last Tuesday was the deadline for shareholders to notify their banks of their intention: whether to accept payment, recycle their holdings into other savings instruments, or take up the Treasury's proposal. Trading was halted that day up to yesterday's end of the working week in Israel.

Officials have been closely watching the outcome to glean evidence about public confidence in the health of the economy. Western diplomats believe the consumer-led boom of last year has petered out and that GNP is likely to be about 0.5 per cent.

UK COMPANY NEWS

New management finds problems throughout the operation

Underwoods £1.3m midway loss

By Maggie Urry

UNDERWOODS, the chemist chain where new management was brought in early this year, reported a £1.3m pre-tax loss in the half year to end July, compared with a £1m profit. The shares added 8p to close at 95p, as the market speculated that a bid for the company might be forthcoming.

Mr Alan Gaynor, managing director, said the loss was largely the result of corrective action the new management had been taking which had involved non-recurring costs of about £1.3m. Problems had been found in virtually every area of the operation.

A large clearance sale had been held in April to get rid of slow-selling or incompatible lines, often at below cost price. The group had also suffered an unacceptably high loss through shrinkage. A complete stock take had been performed on July 31 and the group discovered it had £500,000-worth less stock than it thought it had.

However, Mr Gaynor said he was encouraged that consumer research showed the group's basic trading format was correct. He said that in shops where some basic refurbishment had been done – such as replacing light bulbs and cleaning the counters – sales performances had improved significantly.

A major Christmas TV advertising campaign would start soon, largely paid for by suppliers. Mr Gaynor believes the group will make a profit in the second half, although probably not sufficient to make up for the first half loss.

Sales in the first half were 11.5 per cent higher at £29.1m. However, the cost of the clearance sale, and much higher distribution and administration costs, caused the loss. The interim dividend of 1p is being held, though directors and their families would waive £178,000 of dividends.

Alan Gaynor: £500,000 less stock than thought

● **COMMENT**

The majority shareholders of Underwoods may well be kicking themselves for not accepting Woolworths offer – rumoured to have been around 250p – 18 months ago. But they would be foolish to sell out now when there is a good chance of the new management team eventually sorting out the mess. Virtually every stone has been turned over and the creepy-crawlies identified if not yet squashed. Simple systems, such as electronic point of sale tills, will take a couple of years to install, but there is much to be done in the short term: training staff, introducing the idea of accountability, and even the change from an "open door" to a "closed door" policy should keep some of the dirt out and the unpaid-for goods in the shops. Meanwhile, a mark of increased confidence is a renewed effort to open a couple of shops, although there are still closures to come of some of the more outlandish sites. It is pointless to talk in terms of profits or earnings for a while yet, and with a bid unlikely to be accepted until Mr Gaynor's team have had a fair chance, there is little in Underwoods to interest the stock market, though much for business students to watch.

Leisure Inv expecting profit surge this year

By Clare Pearson

LEISURE INVESTMENTS, which has rapidly diversified its interests in recent months, reported a 12 per cent increase in pre-tax profits to £2.1m, on a 66 per cent rise in turnover to £9.26m in its year ended June 30.

Mr Stephen Forsyth, chairman, emphasised the result was no guide to the current year, which should see a significant advance. Analysts were looking for about £7m pre-tax, he said.

Since the year-end, Leisure Investments' casinos in Gibraltar and Istanbul, acquired during the winter, have established operations. The company has paid £16.8m for Theme Holdings, the London restaurant chain incorporating the Fatso's Pasta Joint outlets, as well as Lingfield Park, the 310-acre racecourse in Surrey.

It has recently revitalised a bid to acquire Bentley's Restaurant and Oyster bar in Swallow Street, London, following the appointment of a receiver at the parent company, Bentley's of Piccadilly.

However, Mr Forsyth said he thought it unlikely Leisure Investment's £1.5m offer for the flagship restaurant would succeed as he believed there were a number of other contenders. Leisure failed in a £5.5m all-paper takeover bid for the full Bentley's group in August.

He said Leisure was looking to dispose of about 15 of the 40 restaurants it now owns. Despite a three-for-five rights issue in February, which raised £12.2m, gearing is standing at some 59 per cent.

Leisure's activities during the last year embraced snooker clubs, amusement arcades, and the Tony Roma restaurant franchises, bought in June 1987.

Though snooker performed in line with expectations, the amusement centres side was adversely affected by the closure for refurbishment, now completed, of the main Oxford Street, London premises. There was a small contribution from the Gibraltar casino, bought for £6.36m in February.

The company spent £18m on new projects and recouped £2.5m from sales during the period. The increase in borrowings was "comfortably" covered by new cash flow, it said.

Favourable treatment in Gibraltar meant tax took £412,000 (£691,000). Earnings per share were 4.63p (4.08p). *The final dividend is 1.25p for* a total of 1.75p (1.45p).

All-round profits growth helps LEP advance 20% to £5.04m

By Fiona Thompson

LEP GROUP, freight forwarding, transport, security, property and medical equipment group, raised pre-tax profits by 20 per cent to £5.04m for the six months to June 30.

The advance from £4.2m was made on turnover 18 per cent ahead at £568.82m (£480.08m). Earnings per share rose from 2.5p to 3.4p and an interim dividend of 1.45p (1.2p) has been declared.

All five divisions were profitable. International freight forwarding made the biggest contribution to turnover but not to profits, as US operations incurred a loss due to the development costs of integrating Profit Systems, acquired last year. Mr John Read, chairman, said he expected the US freight operations to move into the black in the second half.

Swift Transport Services in the UK made good progress, he said, and the company aimed to replicate these operations throughout the major European countries. It was intended to do this initially by acquisition and then to expand organically. He expected to make acquisition announcements in the next few months.

Mr Read said LEP had completed the purchase of the rest of the National Guardian Corporation, the US security business, as announced to shareholders at the annual meeting in July. NGC was now a wholly-owned subsidiary, but the contribution to these results relates to LEP's previous 40.4 per cent interest.

In July, negotiations were completed on a complex deal to raise a £60m cash surplus on LEP House, in the City of London, by way of a seven-year fixed interest deep discount bond. Some of the money raised was used to reduce LEP's gearing, down from 80 per cent to 50 per cent. This figure would probably remain unchanged at the year-end, Mr Read said.

As far as the rest of this year was concerned, the last four months were always the most important in terms of trading and profits. "We are continuing to make improvements in all parts of the business and current performance continues to be satisfactory," he said. The tax charge was £1.74m, compared with £1.62m last time.

● **COMMENT**

LEP has had problems in the past, especially with its freight-forwarding operations within Austria, which made losses of more than £2m in 1987. But having bitten the bullet via a £8.1m extraordinary loss last year to cover virtually pulling out of the country, the news these days is good. Volumes and freights are looking strong in most areas, the UK Swift business is running well and, after spending a lot of money merging the domestic and international interests in the US, benefits are expected to come through – a bit this year but a lot next. The plan to set up a European Swift operation is likely to prove extremely beneficial the closer we get to 1992 and as more companies seek a single-package international distribution deal. On the property side, the rent for LEP House is still under discussion but will probably be about £50 per sq ft – solid asset backing. Analysts are looking for £18m pre-tax profits for the full year, which puts the shares, 4p up at 139p, on a prospective multiple of about 11. Good value.

TDS in placing and incurs £1m

By Vanessa Houlder

TDS Circuits yesterday announced a £1.2m placing and open offer, together with sharply increased first half losses.

The printed circuit board manufacturer suffered pre-tax losses of £1.12m (£205,000) for the six months to August 31 on turnover down to £3.86m (£4.29m). The loss per share rose from 1.96p to 10.43p.

There was a slight improvement in profitability, with operating losses before exceptional items falling from £753,000 to £679,000. This improvement was limited by costs of the reorganisation.

Proceeds from the placing will fund new equipment and reduce gearing from about 73 per cent to 32 per cent.

Under the open offer, shareholders can apply for new shares at 65p per share on the basis of 2 new shares for every seven held. All of the 2m new shares have been conditionally placed with the chairman. Following the announcement, the share price fell from 70p to 66p.

Jet sale lifts Dan-Air group

By Clare Pearson

DAVIES & NEWMAN Holdings, owner of Dan-Air which is to take over four former British Caledonian scheduled routes next week, slightly reduced operating losses from £3.16m to £2.79m in the six months to end-June.

But the sale of one of the company's four Boeing 727-100 aircraft produced a much improved picture at the pre-tax level, cutting losses to £1.23m. The loss per share diminished from 29.3p to 11.1p. An interim dividend of 4.5p (4p) is declared.

Mr Wilfred Jones, finance director, said it was difficult to predict what contribution the new scheduled routes, particularly the heavy Gatwick to Paris flight, would make to full-year profits. The last quarter could make a difference of between £500,000 and £750,000 to the twelve-month result, he said. Dan-Air's activities were "well-maintained" during the crucial summer period, during which the company makes the vast bulk of its profits, with a 4 per cent rise in passengers, he said. In 1987, the company achieved much better-than-expected full-year profits of £9.64m (£6.69m).

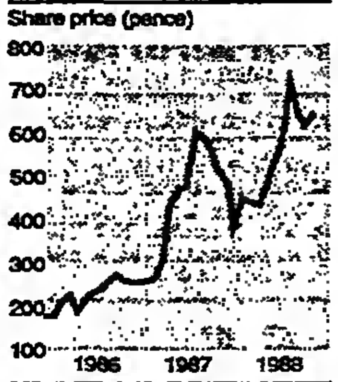
Mr Jones added that Dan-Air had been relatively insulated by standby facilities from air traffic control problems during the summer in a number of European airports.

Among Davies & Newman's other activities, the shipbroking company was described as meeting strong competition. But associated companies boosted their contribution to £1.09m (£564,000), with Gatwick Handling performing well at Gatwick and Stansted. Dan-Smedwig, the oil services company, experienced an upturn in demand.

The slight fall in turnover to £141.61m (£141.65m), reflected among other factors, currency changes and a change in the mix of inflight duty-free sales. The operating surplus was £9.35m (£8.51m) before charging depreciation of £4.74m (£3.77m), aircraft hire charges of £6.75m (£7.09m), and net interest of £1.74m (£1.38m).

Davies & Newman

Share price (pence)



Aside from the Paris flight, Dan-Air, which was awarded all the old British Caledonian routes it applied for apart from the Scottish ones, will operate flights from Gatwick to Nice and Manchester, and Manchester to Aberdeen. British Airways was compelled to sell these routes when it took over Caledonian at the end of last year.

Burmah expands Castrol side

By Nikki Tait

BURMAH OIL, the lubricants and fuels group, is continuing to expand its Castrol division with the acquisition of Chem-Trend, a Detroit-based supplier of metalworking fluids, die-casting and plastic moulding lubricants, *for about* $46m (£26m).

The American company has its principal manufacturing facilities in Michigan, but also takes in plants or joint ventures in Denmark, the US, France, Sweden, South Korea, Mexico and Brazil. In 1987, it had sales of $36.2m and net profit before tax (on a UK accounting basis) of $4.3m. This was before deducting non-recurring costs of $1.2m.

Its assets at end-1987 were put at $12.9m.

Burmah says the deal will extend Castrol into two new specialist areas - die-casting lubricants and release agents for plastic and rubber moulding - as well as boosting its position in metalworking fluids. On the last score, much of Chem-Trend's business concentrates on sales of high quality synthetic and semi-synthetic metalworking fluids, with sales going heavily to Detroit's car industry.

Existing management of Chem-Trend will be retained by Burmah after the acquisition.

The conditional agreement between the two companies allows Burmah to buy 99.3 per cent of Chem-Trend. Some $43.8m of the purchase price will come from a vendor placing and a further $1.9m from a promissory note. An additional $2.2m consideration is being placed in an escrow account for four to six years. This money is being held against any unexpected liabilities or idemnity claims.

The vendor placing involves 4.76m new Burmah shares - 2.7 per cent of the issued share capital - which are being conditionally placed at 525p a share. Yesterday, Burmah shares eased 5p to 527p.

Amercoeur falls into red

Amercoeur Energy, the anthracite mining group with its shares traded on the Third Market, reported a downturn into losses for the six months to the end of June.

Taxable profits of £55,000 last time were converted into losses of £241,000, although turnover increased to £872,000 (£516,000). Losses per 10p share were 1.84p (earnings 0.79p). Losses on the disposal of the peat division came to £1.94m and were taken as an extraordinary item.

To raise capital to facilitate the continuing operation of Amercoeur Anthracite and Welsh Dragon Coal – its core anthracite business – the group plans an underwritten rights issue at 10p per share, on the basis of one new ordinary for every existing two.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allen Calvert § ......int	3.5	-	2.5	-	7
BMSS § ......int	1.75	Nov 30	-	-	-
CDFC Trust ......fin	1.1☆	-	-	1.1	-
City of Oxford ......int	0.7	-	0.8	-	1.925
Clydesdale Inv. ......fin	2.25	-	2.25	2.75	2.75
Davies & Newman ...int	4.5	Jan 28	4	-	15
Estates & Agency ......int	2	-	-	-	3
European Colour ......int	0.4	-	0.35	-	-
Fisher (Albert) ......fin	1.25	Jan 6	0.833*	2.25	1.5*
Garrard & Nell ......int	3	Dec 7	3	-	18
Kalamazoo ......fin	1.5	-	1.5	2	1.5
Leisure Inv ......fin	1.25†	Jan 30	1.095	1.75	1.45
Lep Group ......int	1.45†	-	1.2	-	3.9
Riv Merc Geared ......int	1.2	-	-	-	-
Scot Amer Inv ......int	0.68	Jan 5	0.53	-	2.09
Scot. Mortgage ......int	0.9	-	0.8	-	2.3
Sharp & Law § ......int	1.15†	Dec 19	1	-	3
Silvermines ......int	1.5♣	Jan 4	1.5	-	4
Tottenham Hspr ......fin	4	Jan 3	4	5	4
TR Aust Inv Trst ......fin	2.25	Jan 6	1.41	3.25	2.41
Underwoods ......int	1	Dec 5	1	-	2.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣Irish currency. ☆Includes inaugural 0.4p.

Sun Alliance set to restructure itself next year

By Nick Bunker

Sun Alliance, composite insurer, will next year restructure itself around a non-insurance holding company, following the example set by other industry leaders including Prudential Corporation and Royal Insurance.

Adoption of such a structure helps prevent insurance companies, which want to diversify into fields such as unit trusts or banking, falling foul of the UK's 1982 Insurance Companies Act. This limits authorised insurers to operating in insurance-related areas.

A change of structure also allows them to borrow more easily, since the holding company can gear up without affecting the statutory solvency margin of its insurance company subsidiaries.

"I think it's generally accepted that this kind of structure gives insurers more flexibility," said Mr Chris Pountain, insurance analyst with County NatWest WoodMac, stockbroker.

Sun Alliance said it also planned to restructure its group companies and their organisation to reflect its worldwide operations.

"These plans are subject to the approval of the shareholders, the Department of Trade and Industry and other regulatory authorities," Sun Alliance said.

Beazer ADS listing

Beazer, international construction group, has received approval for listing of its American Depositary Shares on the New York Stock Exchange. It expects trading to begin on October 28.

BOARD MEETINGS

TODAY

Interims- Berisford Hldgs., English & Intl., Oceans Wilsons Hldgs., Value & Income Tst.
Finals- C.R. Hldgs., L.W.T. Hldgs., Lowland.

FUTURE DATES

Interims-

Aquascutum	Nov 8
SDA Hldgs.	Nov 1
Brit. Airways	Nov 15
England (J)	Oct 28
Ferguson Ind. Hldgs.	Oct 28
Globe Inv. Tst.	Oct 27
Hambros	Nov 29
Finals-	
Bankers Inv. Tst.	Dec 21
Cosalt	Nov 21
Govett Strat. Inv. Tst.	Oct 27
Overseas Inv. Tst.	Oct 25

UK COMPANY NEWS

Albert Fisher jumps to £33.4m

By Vanessa Houlder

ALBERT FISHER Group, acquisitive food distributor and processor, yesterday announced an 81 per cent increase in pre-tax profits from £18.5m to £33.4m for the year to August 31. Turnover more than doubled from £248m to £536m.

After the announcement of the results, which were at the top end of analysts' expectations, the share price eased back 1p to 103p.

The underlying organic growth – calculated by adjusting the 1987 results to take account of companies acquired in the past year and by applying the same average exchange rates – was 24.5 per cent. Overall margins improved from a pro forma 5.4 per cent to 5.8 per cent.

Continental Europe contributed 21.5 per cent of operating profits. During the year, Fisher acquired four further businesses in Holland and one in Belgium. The UK was responsible for 35.2 per cent of profits.

In North America, pre-tax profits rose to £13.6m, showing underlying growth of 24.1 per cent.

Mr Tony Millar, chairman, said that the group's strategy of making relatively small, agreed acquisitions would continue. It was interested in moving further into continental Europe and into the sunbelt of the US, where it intended to connect its Florida operations with those on the West Coast.

At the year-end, borrowings stood at £16m.

Earnings per share advanced by 31 per cent to 6.7p (5.1p). A final dividend of 1.25p has been proposed, making a total for the year of 2.25p – an increase of 50 per cent.

● **COMMENT**

As something of a bull market stock, Albert Fisher's share price has been slow to pick itself up after its tumble a year ago. If, the argument goes, it achieved its phenomenal growth through buying inexpensive companies with highly rated paper, growth might well slow down once its cash pile was depleted and it was on a more modest rating. Although this argument still has some force, Fisher's current rating of 12.5, assuming £43m profits next year, is unexacting. Whether or not it makes acquisitions, Fisher is likely to produce above average growth. In general, it can expect to reap the advantages of increased buying clout and cross fertilisation of customers from its recent expansion. It also intends to improve margins by, for example, increasing the use of computers in its Florida operations. Furthermore, where it can make bolt-on acquisitions it is neatly positioned to do so. In the US, it can expand outwards from its strongholds in Florida and the West Coast. On the other side of the Atlantic, its new-found presence in Holland, which is seen as the hub of European distribution for fresh produce, has placed it well to expand deeper into the continent.

No referral of Reed's book club purchase

By Nikki Tait

LORD YOUNG, Secretary of State for Trade and Industry, has decided against referring the £52m acquisition of a half-share in Book Club Associates by Reed International, the publishing group, to the Monopolies and Mergers Commission.

The 50 per cent interest in BCA, Britain's largest book club, was bought by Reed through its wholly-owned subsidiary Octopus Publishing, from the West German Bertelsmann publishing group last month. Bertelsmann owns the other 50 per cent of BCA.

The deal ended the lengthy saga over the half-share, which originally belonged to W.H. Smith. Smith tried to sell its interest to Bertelsmann – which in turn planned to sell it on to French publisher, Les Presses de la Cité. This, however, was part of a complex deal also involving a 50 per cent interest in Leisure Circle, Britain's second largest book club, also owned by the West German group. It duly provoked MMC intervention.

In August, therefore, Smith sold the stake to Bertelsmann, which undertook to find a new buyer who would ultimately take up the stake.

At the time Reed purchased the interest, it suggested that the transaction would not have progressed to that stage had MMC worries been envisaged.

Tottenham makes £930,000 after drop in transfer fees

A SHARP reduction in net transfer fees payable from £1.3m to £171,000 helped Tottenham Hotspur, the only quoted football club, to turn in a pre-tax profit of £930,000 for the year ended May 31 1988, against a £330,000 loss previously.

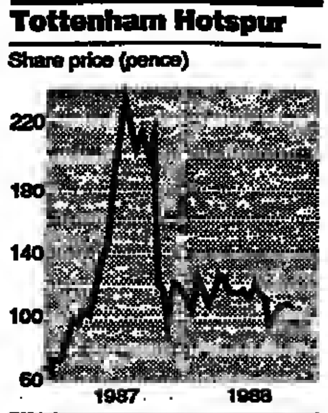
At the interim stage, the company reported a profit of £1.62m (£1.18m loss) after a transfer surplus of £1.38m (£1.2m debit).

Turnover for the year increased from £8.92m to £13.39m. Earnings per 25p share before transfer fees were 11.2p (10.5p) and 8p (3.6p loss) after. The directors recommend a maintained final dividend of 4p giving a total 1p higher at 5p.

Mr Paul Bobroff, chairman, said the football club had a disappointing season, but attendances at home matches were at a similar level to the previous season.

Hummel had continued to increase its presence in the sports and leisurewear field and, strengthened by the acquisition of Martex and Stumps, turnover had risen substantially.

Mr Bobroff said prospects for the current year were encouraging and the group's diverse activities should enable it to generate earnings from a number of different sources.



The proportion of earnings from non-footballing activities was expected to increase substantially with a full year's contribution from the recently acquired companies.

Mr Bobroff said non-football profits were close to £400,000, leaving football contributing between 60 and 65 per cent. This year, he thought football profits would be "no worse than last year" and non-football could account for between 55 and 70 per cent of the total.

On developments at White Hart Lane, he said the company intended to build 36 new boxes, which he believed did not need planning permission, in addition to the existing 72. The company would be increasing the seating, putting in new safety standards and new roofing. Capacity would be reduced by about 10,000 leaving 38,000.

The chairman declined to say how much would be spent, but said the investment "will show an adequate return from the start". Defending the decision to build more boxes, Mr Bobroff explained that the company needed corporate support and there was a waiting list for the facilities.

The Synchro Systems computerised ticket subsidiary acquired earlier this year could benefit from the membership cards scheme. A number of other clubs had shown interest and Mr Bobroff said "the business could be quite significant. There is scope in this country and Europe."

Overall, he believed the group could look forward to a year of further progress in its various activities.

Rentokil £25m US expansion

By Clare Pearson

RENTOKIL, pest control and environmental services concern, is doubling the size of its US operations with the purchase of Tropical Plant Rentals, a Chicago-based company which it believes is the largest player in the US tropical plants supply and maintenance market. The maximum cost will be $42.5m (£25m).

The move follows two smaller acquisitions in this field in the UK and Australia earlier this year, showing Rentokil keen to benefit from the fast growing fashion for interior landscaping of offices, hotels and shopping centres.

These moves have provided Rentokil with about 15 per cent of the UK, and 10 per cent of the Australian market for tropical plant supply and maintenance services, Mr Clive Thompson, chief executive, said yesterday.

Mr Thompson said Tropical Plant Rentals would provide a firm base for further expansion in the US. It has eight branches in the southern, mid-western and western states. Last year it made sales of $33.4m, or about 10 per cent of the overall US turnover in this business.

The deferred part of the consideration, $6m, is dependent on Tropical Plant Rentals, which is being sold by the Leider family, achieving its $5m profit forecast for the year to July 1 1989.

Rentokil is financing $30m worth of the balance of the consideration out of cash resources, and the rest from dollar-denominated borrowings. It says after interest costs the acquisition should provide a net benefit to earnings in the first year.

TR Australia assets fall

LAST October's stock market crash adversely affected the net asset value of TR Australia Investment Trust, which fell from 202.8p to 139.6p in the year to August 31.

Substantial increases in income from the Australian portfolio ensured a lifting of net revenue – by 20 per cent to £1.09m. In view of this, and earnings raised to 3.48p (3.02p) per share, the directors have recommended a final dividend of 2.25p (1.41p), making a total of 3.25p (2.41p). The directors intend to pay a total dividend of not less than 3.5p for the current year.

Gerrard & National up

Despite the background of frequent changes in domestic interest rates, Gerrard & National Holdings said its first half profit to October 5, although modest, was up on the comparable period of 1987.

Base rate had been 12 per cent since the end of August, and the company said it did not expect any reduction until early next year. The company operates as a banker, broker and market maker.

It is maintaining the interim dividend at 3p per share.

City of Oxford Inv

The City of Oxford Investment Trust had a net asset value of 86.9p at September 30, against 105.5p a year earlier.

The interim dividend is lifted to 0.7p (0.6p) and earnings for the six-month period were 1.33p (1.07p). Net revenue amounted to £271,445 (£218,266).

York Trust talks

York Trust, financial services group, is having talks which may lead to the purchase of Babcock and Brown (UK).

Strong advance takes Downiebrae to £196,000

DOWNIEBRAE Holdings, Glasgow-based steel profiles and pipe flanges maker, made a marked improvement in pre-tax profits from £12,000 to £196,000 in the first half of 1988.

This was despite reduced turnover of £698,000 (£1.12m) caused by the closure of the Glasgow and Newcastle operations in May 1987.

There was an exceptional debit of £380,000, relating to a capital loss incurred in the trading of fixed interest bonds and due to the sudden rise in interest rates. There were consequent losses of 1.05p (earnings 0.17p) per 10p share. The company's financial position is sound and liquid with £3.6m on bank deposit.

Kelt buys more Carless shares

Kelt Energy, which is waging a hostile £210m offer for the larger oil independent Carless, yesterday acquired a further 500,000 shares in its target. This takes its stake to 9.94m shares, or 5.54 per cent.

Carless shares eased 1p to 112p. This compares with the 117p a share value of Kelt's cash-and-convertible offer or 115p under its cash alternative.

COMPANY NEWS IN BRIEF

ADT: acceptances of the offer to convert the convertible cumulative redeemable preference shares of $1 into common shares of 1 cent have been received in respect of 10.75m shares (80.5 per cent) and it has been made unconditional.

CONSOLIDATED PLANTATIONS is making an offer at M$3.5 for outstanding shares in its 45 per cent associate Sharikat Hadapan. The offer is conditional on achieving acceptances which would take its stake in the voting stock to more than 50 per cent and approval by the Malaysian Foreign Investment Committee.

EUROPEAN COLOUR: pre-tax profits in first half of 1988 was £331,000 (£292,000) and turnover was £7m (£5.08m). Earnings per share were 1.37p (0.81p) and the interim dividend is raised to 0.4p (0.35p).

GENERAL ACCIDENT has bought Thomas Costley and Sons, estate agent with four offices in Manchester area.

INOCO has sold four small industrial estates in Yorkshire for a total of £2.4m.

RIVER & MERCANTILE Geared Capital and Income 1999: at September 30 net asset value per ordinary share was 61.71p (70.57p) and net asset value per preference capital share was 28.17p (35.31p). Net revenue for six months to that date was £477,000 (£455,000). Earnings per share were 3.41p (3.25p) and second interim dividend 1.2p.

SAATCHI & SAATCHI is buying Turner Spurrier, Hong Kong public relations consultancy, for a maximum HK$100m (£7.3m). In the 12 months to the end of June 1988 the company reported adjusted pre-tax profits of HK$2.57m.

SAVILLE (J GORDON) has acquired a portfolio of 13 properties from Norwich Union Insurance for £6.64m cash. The properties are mainly in Scotland and comprise two office buildings, five industrial properties and six supermarket and shop properties. Their current annual income totals £647,300. Saville plans to dispose of £2.82m of the portfolio after redevelopment, refurbishment or review.

SD-SCICON has reached agreement to sell Systems Control, its energy systems group, to Combustion Engineering, Connecticut, US, for $12.2m (£6.94m).

COMPANY NOTICES

The Mortgage Bank and Financial Administration Agency of the Kingdom of Denmark

UA 25,000,000 9% Bonds 1979-1991

On October 7, 1988, Bonds for the amount of UA 4,000,000 have been drawn in the presence of a Notary Public for redemption on November 22, 1988.

The following Bonds will be redeemable coupon due November 22, 1989 and following attached:

1 to 117 incl.	271 to 1087 incl.	1254 to 1407 incl.
122 to 137 incl.	1093 to 1181 incl.	1410
143 to 154 incl.	1199 to 1240 incl.	1437 to 1540 incl.
161 to 269 incl.	1245 to 1248 incl.	22489 to 25000 incl.

Amount outstanding: UA 14,000,000

Bonds previously drawn and not yet presented for redemption:

10075 to 10078 incl.	20861 to 20867 incl.	21617 to 21620 incl.
10098	20873	21671 to 21679 incl.
10249 and 10250	20338 to 20949 incl.	21749 to 21755 incl.
10289	20357 to 20962 incl.	21763 to 21765 incl.
10333 to 10337 incl.	20971 to 20979 incl.	21790
10538 and 10539	20996 to 21001 incl.	21873 and 21874
10294	21120 to 21142 incl.	21904 to 21909 incl.
11248	21190 to 21193 incl.	21990 to 21998 incl.
11330 to 11339 incl.	21197	22002 to 22011 incl.
11396	21210 to 21225 incl.	22081 and 22082
11440 and 11441	21252 to 21264 incl.	22085 to 22094 incl.
11448	21298 and 21299	22124 to 22126 incl.
19702	21304 to 21317 incl.	22147 to 22150 incl.
19704 and 19705	21328 to 21330 incl.	22186 and 22187
19708 to 19711 incl.	21343 to 21345 incl.	22226
19716 to 19719 incl.	21379 to 21381 incl.	22228 to 22241 incl.
19723 to 19727 incl.	21391 to 21394 incl.	22245
19730 and 19731	21339 and 21400	22269 to 22272 incl.
19734 to 19736 incl.	21445 to 21460 incl.	22276
19776 to 19783 incl.	21496 and 21497	22439 and 22440
19785 to 19805 incl.	21536 to 21556 incl.	22457 and 22458
20603 to 20622 incl.	21567 and 21568	
20844 to 20847 incl.	21598 and 21599	

Luxembourg, October 21, 1988

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

LEGAL NOTICES

No. 005358 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF HAZLEWOOD FOODS PUBLIC LIMITED COMPANY

AND

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 10th October 1988 confirming the reduction of the share premium account of the above-named Company by £87,784,500 was registered by the Registrar of Companies on 17th October 1988.

Dated this 17th day of October 1988

Calow Easton
18/19 Southampton Place
London WC1

Solicitors for the above-named Company

THE UNION COLD STORAGE OF SOUTH AFRICA LIMITED
(Incorporated in South Africa)
Reg. No. 02/01313/06

NOTICE IS HEREBY GIVEN that Dividend No. 40 of 70 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 4th November 1988.

The dividend is declared in South African currency and warrants in payment will be posted on or about 25th November 1988 from the Head Office and the London Office.

Payment from the London Office will be made in United Kingdom currency at the rate of exchange between the two currencies at which the funds to meet payment from the London Office will be remitted on 7th November 1988.

A Non-Resident Shareholders' Tax of 15% will be deducted from dividends payable to shareholders whose addresses in the Share Registers are outside the Republic of South Africa. Warrants despatched from the London Office to persons resident in Great Britain or Northern Ireland will be subject to deduction of United Kingdom Income Tax at a rate to be arrived at after allowing for relief in respect of overseas taxation.

By Order of the Board
CFA INVESTMENTS LIMITED
London Secretaries
per: R. S. Bruni

London Office:
35 Princes Gate Mews
London SW7 2PR
21st October 1988

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UK COMPANY NEWS

ATC agreed offer for Mackay gives £21m tag

By Nikki Tait

ALLIED TEXTILE Companies, the Huddersfield-based group which takes in extensive textile and dyeing interests, is making an agreed bid for Hugh Mackay, the Durham-based carpet manufacturer.

ATC has had a supply link with Mackay since the late 1960's, and has held a share stake in the carpet group for some years. The share stake, however, has edged up over the past year and yesterday Allied said that the bid was the result of several months of negotiation. Earlier this month, it was disclosed that discussions which could have lead to a bid from the acquisitive ATC for Illingworth Morris had broken down.

The bid offers Mackay shareholders 356 7.25 per cent cumulative convertible preference shares in Allied for every 100 Hugh Mackay shares held. Based on an Allied price of 341p - unchanged yesterday - the bidder's brokers calculate that the convertible preference shares would be worth not less than 100p apiece. This puts a value of 356p on each Mackay share, and prices the entire company at £21.3m.

There is also a cash alternative of 330p a share, which Allied will fund from its own substantial liquid balance - put at around £26m. Mackay shares rose 8p to 338p.

The deal has the backing of Mackay directors and holders of 1.94m shares - 32.4 per cent - have given irrevocable undertakings to accept the bid. Allied itself already owns 29 per cent of its target, so starts with total control of 61.4 per cent of Mackay's equity.

Allied says that it sees scope for improving margins at Mackay which, in 1987, made pre-tax profits of £1.7m on sales of £25.8m. Yesterday, the carpet company announced a profit of £710,000 (£591,000) on sales of £15.8m (£11.4m) in the first half of the current year. Earnings per share in the period were little changed at 7.6p (7.59p). The company says that margins were held back by unexpected production problems over a new backing line in its Blackburn tufting plant.

It also seems possible that - if Allied's acquisition programme continues - supply links between the two companies could increase. At present, Allied supplies yarn for woven products but not tufted.

Mackay, however, will be run as an autonomous unit post-acquisition, and Allied expects the company to retain an emphasis on the contract carpet market - where it estimates a market share of over 7 per cent. In the domestic carpet market, Mackay takes a smaller share. The book value of Mackay's assets was last put at £5.8m.

The ATC preference shares are convertible into Allied ordinary shares between 1991 and 2001 on the basis of 10 ordinary for every 38 preference. Allied expects the bulk of the irrevocable undertakings to opt for the share alternative, and full acceptance, combined with full conversion, would involve the issue of 4m Allied shares, or 13.5 per cent of the enlarged equity.

Further calls for Pittard bid referral

By Nikki Tait

THE HOSTILE £40.5m bid by Strong & Fisher for fellow leather group, Pittard Garnar has brought further calls from members of parliament asking for it to be referred to the Monopolies and Mergers Commission.

Sir Hector Monro, Tory MP for Dumfries, and Dr Lewis Moonie, a Labour MP who represents Kirkcaldy, have both written to Lord Young, Secretary of State for Trade and Industry, urging a referral. Both MPs represent constituencies where Pittard has interests, and Dr Moonie argues that the bid would "heavily reduce competition in the leather industry". Lord Peyton of Yeovil - Yeovil is Pittard's base - has also written to Lord Young on similar lines.

Two other MPs - Mr Paddy Ashdown and Mr Michael Grylls - have already sent letters to the Secretary of State, arguing that the MMC should be asked to intervene. Strong & Fisher, however, maintains that the bid would produce a stronger group, better able to compete internationally, and would not have anti-competitive implications for others involved in the UK leather industry.

Kalamazoo stays on course with rise to £2.6m for year

KALAMAZOO, business systems and services group, continued its recovery in the year to July 31 with pre-tax profits of £2.56m, against £1.38m previously. Turnover and other income rose from £44.56m to £51.95m.

The Kalamazoo Workers' Alliance bonus was £452,000 (£349,000). The comparisons are restated as the group has reverted to accounting on an historical cost basis.

The recommended final dividend of 1.5p makes a total of 2p (1.5p). Earnings per 10p share rose to 3.9p (2.2p).

Mr Tom Garnier, chairman, said the year had been spent altering the company's position and profile in the market. The second stage of its recovery plan concerned improving efficiency, through modernising equipment, investing in developing business units and building up new and existing channels of business.

The costs would be concentrated in the first half, and little if any profit was expected for that period.

BMSS surges 79% in maiden first half

IN ITS first set of results since coming to the USM, the BMSS group disclosed a 79 per cent surge in pre-tax profit for the six months ended July 31.

The group placed its shares in July. It operates as a builders' merchant, with emphasis on the "heavy side" materials, primarily in the West Midlands, Merseyside and Wales.

Turnover rose 16 per cent to £5.82m (£5m) and operating profit 45 per cent to £564,000 (£388,000). Taking in an exceptional credit of £20,000 (debit £18,000) and interest receivable £2,000 (charged £43,000), left the pre-tax profit at £586,000 (£327,000).

Sir Stephen Hastings, chairman, said demand for building materials was high. Backed up by rigorous control of overheads and productivity improvements that gave trading margins of 9.7 per cent, against 8.8 per cent for the year to January 31.

Sales for August and September showed a good increase. If that trend continued he was confident of a satisfactory year. Profit last time was £753,000.

Earnings were 6.89p (3.97p) and an interim dividend of 1.75p is declared. In July at least 3.75p was forecast for the year.

Haden £2.8m expansion

HADEN MacLellan Holdings is buying Systematic Drill Head Holdings for a maximum consideration of £2.8m in shares. The deal has to be approved by shareholders because certain directors of Haden have an interest in Systematic.

In 1987 Systematic made taxable profits of £327,000 on turnover of £2.73m. Net assets at the period end were £432,000.

The company was bought out from Williams Holdings in November 1987 by the founders Mr John Knight and Mr Peter Harris. They were supported by an investment consortium led by Foreign & Colonial Ventures and after the deal funds managed by F & C would have 3.1 per cent of Haden.

Sharp & Law profit trebled

PROFITS MORE than trebled to £705,000 were achieved by Sharp & Law in the first half of 1988, and good growth in profit and earnings for the year are predicted.

Mr Brian Considine, chairman of this USM-quoted shopfitting group, said the interim figures were affected by seasonal trends and reorganisation and rationalisation following the acquisition of Baxter Fell Northfleet.

"With good order books, trading in the second half will be at an exceptionally high level. Organic growth continues and integration of the BFN business is giving us the full benefit of our broad base of companies with divisional trading expanding rapidly as a result."

Half year figures included BFN. Group turnover rose to £27.8m (£8.7m) and the £705,000 (£229,000) profit was struck after interest charges of £581,000 (£110,000). With earnings per 10p share at 2.51p (1.98p) the interim dividend is raised to 1.15p (1p).

The group recently acquired Widd Signs, and recently expanded manufacturing capacity by the purchase of warehouse and office units and major expenditure on plant.

Estates & Agency

Estates & Agency Holdings, property investment concern, lifted pre-tax profits by 8 per cent from a restated £309,000 to £335,000 in the first half of 1988.

Gross rental income grew 29 per cent to £1.28m.

After tax of £80,000 (£60,000) earnings per 25p share were 4.22p (4.16p). There is an interim dividend of 2p - last year's single final was 3p.

An extraordinary credit of £171,000 (£380,000) related to the profit realised on the sale of the long leasehold interest in Donne House, Edgbaston.

Atlas Converting shows 45% growth to £1.46m

INTERIM results from Atlas Converting Equipment showed growth of 58 per cent in turnover and 45 per cent in pre-tax profit.

Earnings were 11.7p (8.1p) and the interim dividend is raised by 1p to 3.5p per share.

This USM-quoted group makes slitting and rewinding machines, vacuum metallisers and furnaces. Turnover came to £8.12m (£5.78m) and profit to £1.46m (£1.01m).

Margins on Atlas machines were satisfactory. Those on some Titan slitters suffered as a result of the weak dollar, but the situation had improved.

Profitability at General Vacuum Equipment did not meet expectations and no significant improvement was likely in the second half.

The new division, Atlas Converting Equipment (USA), should be profitable next year.

Recovery at Alpine deferred

Recovery in the fortunes of Alpine Group, soft drinks manufacturer and retailer, has been deferred into 1989.

Rationalisation had been expected to restore the business to profitability this year, but disappointing sales volumes in the busy summer period would have an adverse effect on the full-year results, the directors explained.

In the half-year to July 2 1988 the group cut its trading loss from £526,000 to £436,000 but that did not truly reflect the benefits of the reorganisation.

Turnover was down to £4.74m (£6.17m) following the planned closure of unprofitable sales depots and the impact of lower transfer prices earned by franchise rounds converted from former own-sales rounds.

There is no interim dividend.

The development of franchise activities was progressing well with 102 territories currently in operation. Alpine was evaluating the extension of those activities into the south-east of England.

Clydesdale Invest.

Clydesdale Investment Trust reported net asset value per share at 168.7p as at September 30, 1988, against 159.2p a year earlier.

After-tax revenue for the year dropped from £454,000 to £250,000 and earnings per share were 1.85p (3.36p). The directors recommend a final dividend of 2.25p for an unchanged total of 2.75p.

Scottish Mortgage

At September 30, net asset value of Scottish Mortgage & Trust had risen to 132.8p, from the 126.1p of six months earlier.

In the half-year to the end of September the trust lifted its net revenue from £5.08m to £5.59m. That represented earnings of 1.83p (1.4p) and the interim dividend is being raised to 0.9p (0.8p).

Silvermines over I£1m in first six months

SILVERMINES, Dublin-based industrial holding company, has reported pre-tax profits of I£1.125m (I£949,000) for the six months to June 30. Profits for the previous first half were I£1.56m, mainly made up of non-recurring profits on the realisation of investments.

The group has decided to concentrate on trading profits, and the latest results were achieved entirely in this way.

After-tax profits were I£854,000, compared with I£1.16m and earnings per share 4.23p (6p). The interim dividend is held at 1.5p.

Turnover grew from I£4.7m to I£12.8m. The directors said that most of the sales growth had been generated by Silvermines Engineering and Technology, which increased profits to I£651,000 (I£503,000).

National Broach, acquired recently, would aid the global marketing of the group's gear systems technology through co-operation with W. E. Sykes.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
235	185	Ass. Brit. Ind. Ordinary	235	0	8.7	3.7	8.8
235	186	Ass. Brit. Ind. Culs	235	0	10.0	4.3	-
40	25	Armitage and Rhodes	38	0	-	-	-
57	36	BBB Design group (USM)	36	0	2.1	5.7	5.7
171	155	Bardon Group	171	+1	3.3	1.9	24.1
116	100	Bardon Group Conv. Pref.	116	+1	6.7	5.8	-
148	122	Bray Technologies	122xd	0	5.2	4.3	8.8
114	100	Bremhill Conv. Pref	110	0	11.0	10.0	-
287	246	CCL Group Ordinary	284	0	12.3	4.3	4.3
165	124	CCL Group 11% Conv.Pref	164	0	14.7	9.0	
151	129	Carbo Plc (SE)	151xd	0	6.1	4.0	13.1
113	100	Carbo 7.5% Pref (SE)	112	0	10.3	9.2	
334	147	George Blair	334	+1	12.0	3.6	7.4
112	60	Isis Group	110	0			14.5
118	87	Jackson Group (SE)	111	-2	3.6	3.1	12.3
380	245	Multihouse NV (AmstSE)	298	0	-	-	-
115	40	Robert Jenkins	114xd	0	7.5	6.6	4.3
430	124	Scruttons	406xd	0	8.0	2.0	26.9
280	194	Torday & Carlisle	280	0	7.7	2.8	13.6
100	100	Torday & Carlisle CNV PRF	100	0	10.7	10.7	-
96	56	Trevian Holdings (USM)	87	0	2.7	3.1	9.4
115	100	Unistrat Europe Conv Pref	108	0	8.0	7.4	
310	203	W.S Yeates	310	0	16.2	5.2	59.6

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co nor Granville Davies Ltd are market makers in these securities

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Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the directors for the quarter ended September 30 1988

WESTERN DEEP LEVELS

Western Deep Levels Limited

Registration No. 57/02349/06

ISSUED CAPITAL: 27 184 115 ordinary shares of R2 each and 144 993 (previously 142 122) S ordinary shares of R2 each

	Quarter ended Sept. 1988	Quarter ended June 1988	Nine months ended Sept. 1988
OPERATING RESULTS			
Gold			
Area mined—m²000	240	233	690
Tons milled 000—reef	1 136	1 091	6 273
—waste	534	508	1 677
—total	1 670	1 599	4 950
Yield—g/t—reef	8.80	8.43	8.29
—waste	1.20	1.44	1.23
—average	6.16	5.93	5.90
Production—kg	10 291	10 075	29 202
Cost—R/m² mined	736.52	699.34	733.10
—R/ton milled	105.86	95.91	102.19
—R/kg produced	17 179	16 173	17 322
PRICE RECEIVED ON SALES			
Gold—R/kg	33 894	31 910	31 931
—$/oz	432	453	446
FINANCIAL RESULTS	R million	R million	R million
Turnover	347.2	325.6	935.9
Gold—revenue	348.0	324.7	933.3
—costs	176.7	163.0	505.8
—profit	169.3	161.7	427.5
Uranium oxide profit	0.4	0.1	0.4
Net sundry income	7.1	2.6	13.7
Profit before taxation	176.8	164.4	441.6
Provision for taxation	73.0	55.7	150.1
Profit after taxation	103.8	108.7	291.5
Appropriation for capital expenditure	59.0	64.7	176.1
Profit available	44.8	44.0	115.4
Dividend—interim			71.1
Retained profit for the nine months			44.3
Earnings per share—cents	164	160	422
Capital expenditure—R million	61.7	70.0	184.1
SHAFT SINKING	metres	metres	metres
No. 1 Short Sub-vertical Shaft			
Advance	—	57	63
Depth to date	63	63	63
Headgear portion	—	—	10
No. 1 Sub-vertical Ventilation Shaft			
Advance	30	8	38
Depth to date	38	8	38

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended September 1988							
Ventersdorp Contact reef	3 555	284	47.8	22.09	1 056	—	—
Carbon Leader reef	0 269	—	—	—	—	—	—

DIVIDEND
The interim dividend of 260 cents per share for the year ending December 31 1988 was declared on July 21 1988, payable to members registered on August 12 1988 and was paid on September 9 1988.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1988 totalled R81.6 million.

THE ANGLO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME
To date 35 042 S ordinary shares have been issued to Anglo American Corporation of South Africa Limited (AAC) to finance the acquisition of AAC shares for distribution to employees who are eligible to participate in the Scheme.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

October 21 1988

ERGO

East Rand Gold and Uranium Company Limited

Registration No. 71/07001/06

ISSUED CAPITAL: 42 078 712 ordinary shares of 50 cents each and 3 402 678 (previously 2 802 678) S ordinary shares of 50 cents each

	Quarter ended Sept. 1988	Quarter ended June 1988	Six months ended Sept. 1988
COMPANY RESULTS			
Material treated—tons—000	9 222	9 173	18 395
Gold production—kg	2 898	2 950	5 848
Uranium production—kg	39 089	44 795	83 884
Acid production—tons	132 092	129 597	261 689
PRICE RECEIVED ON SALES			
Gold—R/kg	33 529	31 661	32 479
—$/oz	434	453	445
	R000	R000	R000
Turnover	115 150	106 579	221 729
Revenue	115 150	106 579	221 729
Cost of sales	71 263	65 801	137 054
Operating profit	43 897	40 778	84 675
Net sundry income	3 386	1 311	4 697
	47 283	42 089	89 372
Deduct:			
Royalty	371	697	1 068
Cost of slimes purchased	2 826	9 608	10 434
Profit before taxation	37 086	31 784	68 870
Provision for taxation	10 822	11 933	22 755
Profit after taxation	26 264	19 301	46 115
Appropriation for capital expenditure	10 502	6 165	16 687
Profit available	15 762	13 666	29 428
Dividend—interim			27 289
Retained profit for the six months			2 139
Earnings per share—cents	35	30	65
Capital expenditure—R000	10 534	5 973	16 507
ERGO DIVISION			
Slimes treated—tons—000	5 158	5 140	10 298
Gold production—kg	1 625	1 645	3 270
—unit cost R/kg	21 578	20 984	21 279
Uranium production—kg	39 089	44 795	83 884
Acid production—tons	123 695	120 238	243 853
	R000	R000	R000
Revenue—gold and silver	55 463	50 865	106 328
—uranium and acid	16 298	13 069	30 887
—total	71 761	63 934	135 713
Cost of sales	46 330	42 040	88 370
Operating profit	25 421	21 924	47 345
Net sundry income	3 357	1 283	4 640
Profit before taxation	28 778	23 207	51 985
Capital expenditure	8 470	5 479	13 949
SIMMERGO DIVISION			
Sand treated—tons—000	580	606	1 186
Ore milled—tons—000	12	20	32
Gold production—kg	393	416	809
—unit cost R/kg	33 659	30 098	31 829
Acid production—tons	8 497	9 359	17 856
	R000	R000	R000
Revenue—gold and silver	13 268	13 253	26 529
—acid	710	755	1 465
—total	13 978	14 516	27 994
Cost of sales	13 507	12 574	25 881
Operating profit	482	1 444	2 113
Net sundry income	25	24	49
Deduct:			
Royalty to Simmer and Jack Mines Limited	371	697	1 068
Profit before taxation	323	771	1 094
Capital expenditure	(37)	86	48
DAGGAFONTEIN DIVISION			
Slimes treated—tons—000	2 453	3 427	5 880
Gold production—kg	880	890	1 770
—unit cost R/kg	13 511	12 573	12 680
	R000	R000	R000
Revenue—gold and silver	29 423	28 597	58 020
Cost of sales	11 616	11 187	22 803
Operating profit	17 807	17 410	35 217
Net sundry income	4	4	8
Cost of slimes purchased	2 826	9 608	19 434
Profit before taxation	7 986	7 800	15 791
Capital expenditure	2 107	405	2 600

CESSATION OF MINING OPERATIONS
The diseconomic grades and high labour costs have resulted in the underground mining operation of the Simmergo Division becoming unprofitable. Accordingly this operation has been discontinued and some 758 employees retrenched, whilst 124 employees were found positions with associated companies.

ACQUISITION OF ADDITIONAL MATERIAL FOR TREATMENT: ALLOTMENT OF 600 000 S ORDINARY SHARES
As announced on August 8 1988 the company has acquired some 35 million tons of material on slimes dams and a sand dump on the farm Modderfontein No. 76 I.R. from Consolidated Modderfontein Mines Limited. The average gold grade is of the order of 0.45 grams per ton. In consideration 600 000 S ordinary shares of 50 cents each in the capital of the company were allotted on August 17 1988.

DIVIDEND
An interim dividend for the year ending March 31 1989 of 60 cents per share was declared on October 20 1988, payable on or about December 9 1988 to members registered on November 11 1988.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1988 totalled R6 850 000, which included an amount of R117 000 for the Simmergo Division and R1 885 000 for the Daggafontein Division.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

October 21 1988

S.A. LAND

The South African Land & Exploration Company Limited

Registration No. 01/01878/06

ISSUED CAPITAL: 9 182 700 shares of 35 cents each and 34 118 S ordinary shares of 35 cents each

	Quarter ended Sept. 1988	Quarter ended June 1988	Nine months ended Sept. 1988
OPERATING RESULTS			
Gold			
Tons milled 000	680	608	2 036
Yield—g/t	0.51	0.62	0.54
Production—kg	346	380	1 096
Production, transport and screening costs			
—R/ton milled	11.17	10.19	10.30
—R/kg produced	21 961	19 418	10 753
PRICE RECEIVED ON SALES			
Gold—R/kg	33 214	32 182	31 742
—$/oz	430	453	448
FINANCIAL RESULTS	R000	R000	R000
Turnover	11 579	11 697	35 042
Gold—revenue	11 579	11 697	30 042
—production costs	4 443	4 218	12 684
—transport and screening costs	6 152	2 773	8 945
	6 984	4 706	13 413
Less cost of dump material	6 282	2 672	7 563
Gold profit	1 702	2 034	5 850
Net sundry income	348	276	953
Profit before taxation	6 050	2 610	6 803
Provision for taxation	942	1 163	3 208
Profit after taxation	1 108	1 147	3 595
Appropriation for capital expenditure	45	(70)	117
Profit available	1 063	1 217	6 478
Deduct:			
Dividend—interim			8 302
Retained profit for the nine months			1 176
Earnings per share—cents	12	13	38
Capital Expenditure—R000	45	25	210

PRODUCTION
The higher grade dumps have been depleted and the pattern of lower grades can be expected to continue. However, in an attempt to compensate for this, annual throughput has been increased and costs for the year to date have been well contained.

DIVIDEND
The interim dividend of 25 cents per share for the year ending December 31 1988 was declared on July 21 1988 payable to members registered on August 12 1988 and was paid on September 9 1988.

CAPITAL EXPENDITURE COMMITMENTS
There were no orders placed or outstanding on capital contracts as at September 30 1988.

For and on behalf of the board
T. L. PRETORIUS
E. P. GUSH } Directors

October 21 1988

ELANDSRAND

Elandsrand Gold Mining Company Limited

Registration No. 74/01477/06

ISSUED CAPITAL: 96 519 825 ordinary shares of 20 cents each and 90 497 (previously 74 445) S ordinary shares of 20 cents each

	Quarter ended Sept. 1988	Quarter ended June 1988	Nine months ended Sept. 1988
OPERATING RESULTS			
Gold			
Area mined—m²000	101	100	296
Tons milled 000—reef	466	476	1 367
—waste	22	19	83
—total	488	495	1 450
Yield—g/t—reef	6.33	6.54	6.59
—waste	0.82	1.39	1.26
—average	6.09	6.35	6.56
Production—kg	2 970	3 150	9 217
Cost—R/m² mined	580.67	560.29	557.91
—R/ton milled	120.16	112.98	116.89
—R/kg produced	16 743	17 767	17 917
PRICE RECEIVED ON SALES			
Gold—R/kg	33 919	31 842	31 988
—$/oz	432	453	450
FINANCIAL RESULTS	R000	R000	R000
Turnover	100 752	100 086	292 886
Gold—revenue	100 752	100 086	292 886
—costs	58 636	30 029	165 142
—profit	42 180	44 057	127 754
Net sundry income	2 980	2 161	6 572
Profit before taxation	45 106	46 213	134 326
Provision for taxation	1 426	1 002	6 130
Profit after taxation	43 680	45 216	131 196
Appropriation for capital expenditure	19 772	10 069	54 790
Profit available	23 908	30 147	76 406
Dividend—interim			48 360
Retained profit for the six months			28 066
Earnings per share—cents			
—before appropriation for capital expenditure	46	47	136
—after appropriation for capital expenditure	30	27	79
Capital expenditure—R000	19 936	13 233	30 280

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t
Quarter ended September 1988					
Ventersdorp Contact reef	2 515	1 112	83.0	13.18	1 094

DIVIDEND
The interim dividend of 50 cents per share for the year ending December 31 1988 was declared on July 21 1988, payable to members registered on August 12 1988 and was paid on September 9 1988.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1988 totalled R9 756 000.

THE ANGLO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME
To date 90 497 S ordinary shares have been issued to Anglo American Corporation of South Africa Limited (AAC) to finance the acquisition of AAC shares for distribution to employees who are eligible to participate in the Scheme.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

Registration No. 05/17354/06

ISSUED CAPITAL: 18 000 000 ordinary shares of 50 cents each and 24 759 (previously 24 042) S ordinary shares of 50 cents each

	Quarter ended Sept. 1988	Quarter ended June 1988	Nine months ended Sept. 1988
OPERATING RESULTS			
Totals			
Gold			
Area mined—m²000	577	594	1 587
Tons milled 000—reef	6 807	2 621	7 635
—waste	259	276	880
—total	2 478	6 897	8 515
Yield—g/t—reef	7.70	7.59	7.87
—waste	0.86	0.72	0.75
—average	7.07	6.94	6.96
Production—kg	36 336	20 097	59 293
Cost—Complex			
—R/m² mined	648.52	637.11	634.95
—R/ton milled	118.65	118.24	118.88
—R/kg produced	16 604	16 612	16 352
Uranium oxide			
Tons treated 000	6 233	2 319	6 808
Yield—kg/t	0.21	0.21	0.20
Production—kg	481 966	477 250	1 402 040
PRICE RECEIVED ON SALES			
Gold—R/kg	33 484	31 948	31 749
—$/oz	431	453	446
FINANCIAL RESULTS	R million	R million	R million
Turnover	732.6	660.5	1 679.6
Gold—revenue	688.4	636.3	1 883.3
—costs	336.0	333.8	969.5
—profit	352.4	302.5	613.8
Uranium oxide profit	25.2	11.9	47.2
Tribute profit	3.4	2.0	4.9
Net sundry income	15.9	11.2	36.4
Dividend from Southvaal Holdings Limited:			
—interim declared July 1988	—	20.1	20.1
	396.9	347.7	1 024.4

VAAL REEFS—continued

	Quarter ended Sept. 1988	Quarter ended June 1988	Nine months ended Sept. 1988
Royalties to:			
—Southvaal Holdings Limited	103.1	98.4	280.7
—The Afrikander Lease Limited	0.4	0.1	0.6
Profit before taxation	283.4	256.0	783.1
Provision for taxation	127.7	86.3	311.8
Profit after taxation	155.7	169.7	471.3
Appropriation for capital expenditure	70.3	80.3	216.2
Profit available	85.4	89.4	255.0
Deduct:			
Dividend—interim	—	—	102.2
Retained profit for the nine months	—	—	152.8
Earnings per share—cents	449	470	1 238
Capital expenditure—R million	88.7	85.2	210.6
CONSOLIDATED PROFIT			
Consolidated profit, after providing for taxation, of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	155.8	169.8	451.4
OPERATING AND FINANCIAL RESULTS			
North Lease area			
Gold			
Area mined—m²000	304	287	855
Tons milled 000—reef	1 466	1 337	3 993
—waste	132	161	311
—total	1 598	1 480	4 304
Yield—g/t—reef	7.97	6.95	7.16
—waste	0.81	0.62	0.67
—average	7.37	6.38	6.42
Production—kg	[illegible]	[illegible]	[illegible]
Cost—R/m² mined	604.54	621.52	613.04
—R/ton milled	117.56	121.32	118.38
—R/kg produced	18 259	10 033	18 116
Uranium oxide			
Tons treated 000	1 134	1 034	3 426
Yield—kg/t	0.17	0.16	0.16
Production—kg	191 178	160 568	551 602
	R million	R million	R million
Gold—revenue	339.9	297.8	919.3
—costs	183.8	178.4	524.2
—profit	156.1	119.4	395.1
Uranium oxide profit	6.1	4.9	13.8
Tribute profit	—	0.8	0.8
	162.2	125.1	409.7
Capital expenditure	41.0	64.8	138.9
South Lease area			
Gold			
Area mined—m²000	216	224	643
Tons milled 000—reef	1 189	1 226	3 488
—waste	55	68	167
—total	1 244	1 294	3 655
Yield—g/t—reef	8.50	8.58	8.54
—waste	0.81	1.09	1.03
—average	8.16	8.10	8.19
Production—kg	10 152	10 598	29 948
Cost—R/m² mined	707.64	673.39	673.90
—R/ton milled	121.15	116.56	118.55
—R/kg produced	14 844	14 231	14 470
Uranium oxide			
Tons treated 000	1 188	1 278	3 426
Yield—kg/t	0.24	0.25	0.24
Production—kg	281 087	313 139	834 727
	R million	R million	R million
Gold—revenue	344.6	334.4	950.9
—costs	150.7	150.8	433.3
—profit	193.9	183.6	517.6
Uranium oxide profit	18.1	6.8	32.0
Tribute profit	3.4	1.2	4.1
	215.4	191.6	553.7
Deduct:			
Capital expenditure	26.9	29.6	76.6
Repayment of loan and interest to Southvaal Holdings Limited	0.2	0.2	0.7
Repayment of consumer loan	0.8	0.8	2.2
Surplus subject to royalty	187.5	161.0	474.0
Royalty to Southvaal Holdings Limited (56 per cent of surplus)	103.1	88.6	260.7
Capital expenditure	28.9	29.6	76.8
Afrikander Lease area			
Area mined—m²000	—	13	29
Tons milled 000—reef	12	58	157
—waste	52	77	202
—total	74	135	359
Yield—g/t—reef	2.06	1.45	1.53
—waste	1.49	0.59	0.86
—average	1.58	0.93	1.15
Production—kg	117	126	414
Cost—R/m² mined	—	356.62	417.03
—R/ton milled	20.59	34.24	33.69
—R/kg produced	13 026	36 690	29 213
Uranium oxide			
Tons treated 000	22	7	38
Yield—kg/t	0.40	0.51	0.44
Production—kg	8 235	8 553	16 711
	R million	R million	R million
Gold section			
Gold—revenue	3.9	4.1	13.1
—costs	1.5	4.6	12.0
Loss—Profit	2.4	(0.5)	1.1
Ongoing capital expenditure	1.8	1.0	3.6
Profit (Loss) for royalty	0.6	(1.5)	(2.5)
Provision for royalty to:			
—The Afrikander Lease Limited (The royalty is payable only when the results of the operations for the full year have been determined)	0.02	0.01	0.05
Capital expenditure	1.30	1.00	3.60
Uranium section			
Uranium oxide profit	0.96	0.24	1.37
Royalty to The Afrikander Lease Limited	0.44	0.11	0.63
SHAFT SINKING	metres	metres	metres
No. 10 main shaft			
Advance	149	222	449
Depth to date	1 350	1 201	1 350
Station cutting	224	178	768
No. 10 Rock and ventilation shaft			
Advance	57	191	365
Depth to date	1 412	1 355	1 412
Station cutting	1 037	889	2 600

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended September 1988							
NORTH LEASE AREA							
Vaal reef	18 537	1 160	83.3	18.93	1 577	0.60	49.94
Ventersdorp Contact reef	335	86	81.0	8.94	724	0.07	5.92
SOUTH LEASE AREA							
Vaal reef	13 613	1 412	81.0	24.42	1 978	0.92	74.81
'C' reef	1 068	84	25.5	46.54	1 398	0.63	23.79
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals)							
Vaal reef	571	28	156.1	6.78	1 059	0.41	30.31
'C' reef	376	164	54.8	17.52	960	0.41	22.61
AFRIKANDER LEASE AREA (Gold section)							
Jeppestown Rietkuil No. 5 reef	1 230	694	101.7	3.97	404	—	—
Totals							
Vaal reef (excluding tribute area)							
Quarter ended September 1988	31 147	2 572	82.6	21.91	1 797	0.77	63.52
Quarter ended June 1988	30 418	2 660	61.7	26.32	1 624	0.77	47.24
Nine months ended September 1988	87 068	7 666	69.5	24.24	1 686	0.79	54.20

AFRIKANDER LEASE AREA
All available resources were deployed on development in order to accelerate the build-up of payable ore reserves and reduce costs. As a consequence there was no stoping during the quarter but this has since been restarted.

DIVIDEND FROM SOUTHVAAL HOLDINGS LIMITED
The previous quarter's results include a half-yearly dividend from Southvaal Holdings Limited and are therefore not directly comparable with this quarter.

DIVIDENDS
The interim dividend of 600 cents per share in respect of the year ending December 31 1988 was declared on July 21 1988, payable to members registered on August 12 1988 and was paid on September 9 1988.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at September 30 1988 totalled R90.0 million.

THE ANGLO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME
To date 24 759 S ordinary shares have been issued to Anglo American Corporation of South Africa Limited (AAC) to finance the acquisition of AAC shares for distribution to employees who are eligible to participate in the Scheme.

For and on behalf of the board
E. P. GUSH
T. L. PRETORIUS } Directors

October 21 1988

SOUTHVAAL HOLDINGS LIMITED
Registration No. 66/11806/06

THE AFRIKANDER LEASE LIMITED
Registration No. 01/06955/06

The attention of shareholders of these companies is directed to the report of Vaal Reefs Exploration and Mining Company Limited.
The Free State Consolidated Gold Mines Limited quarterly results appear on another page in this newspaper.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE
1. DEVELOPMENT
Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

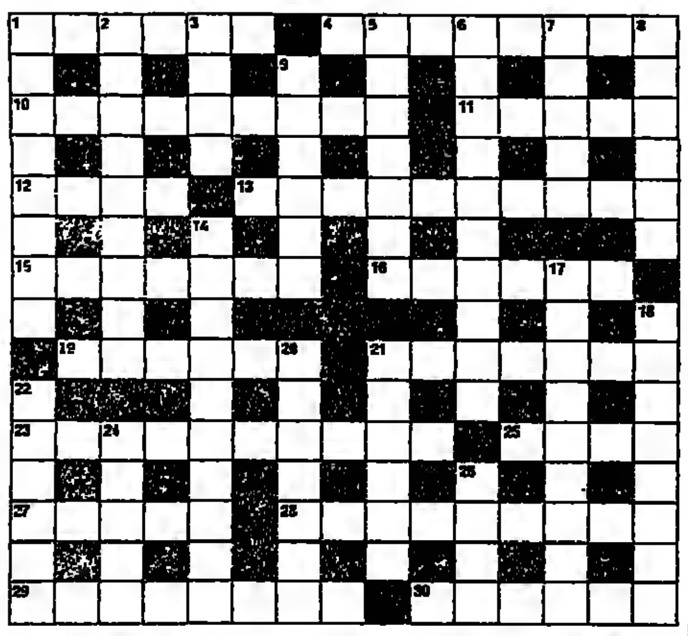
LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,765 Set by CINEPHILE



JA has the same meaning wherever it occurs in the clues.

ACROSS

1 Photographer arrived with painter (6)
4 Striking piano work in the theatre? (8)
10, 25 JA's fellow, bright lad outside battle scene? (9.4)
11 Rise from fire, believe it or not (5)
12 JA's mother following me back (4)
13 Evangelist with swollen toe, say, wrote of pilgrimage (4,6)
15 Ears that need little change for a pacifist (7)
16 Little relation has time for Canaanite captain (6)
19 Persian governor didn't get up at knock (6)
21 Terrier stirs tots with ice (7)
23, 7 JA's executioner entering by a Breton way (10,5)
25 See 10
27 JA's investigated sound.....(5)
28 .....with cost including Jude, obscured (9)
29 Gaga condition of most of JA's work.....(8)
30 .....with one of these five (6)

DOWN

1 Start people with a hundred income (8)
2 Obsession for extinct bird in which nobody's before me (9)
3 Trump bird with collar (4)
5 Noise in children's game's news (7)
6 JA's religious views? (10)
7 See 23
8 Bringing 'ealth to London borough (6)
9 Busybody goes round for prior (6)
14 Rude fellow with rude belch in him should be put in tower (5,4)
17 Change of air is true for gladiator (9)
18 Not a strong predilection? (8)
20 Beer tankard won't take twice the amount (4,3)
21 Woman gets some kelp for money (6)
22 Shoots birds? (6)
24 Rule sounds wet (5)
26 Evangelist gets warm (4)

Solution to Puzzle No.6,764

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq. 01-606-4044 Dealing 01-606 6020						
Master Portfolio	5¼	28.67	28.67	30.66	+0.09	0.00
Amer Growth Acc	5¼	34.11	34.11	36.48	−0.17	1.92
Amer Income Acc	5¼	30.28	30.28	32.39	−0.12	4.88
Amer Income Inc	5¼	27.74	27.74	29.67	−0.12	4.88
Cap Protector Acc	5¼	24.53	24.82	26.60	+0.09	5.38
Cap Protector Inc	5¼	24.05	24.20	26.09	+0.09	5.38
Euro Growth Acc	5¼	44.33	44.66	47.77	−0.17	0.00
Euro Income Acc	5¼	22.53	22.53	24.10	−0.20	3.90
Euro Income Inc	5¼	21.61	21.61	23.11	−0.21	3.90
Far East Gwth Acc	5¼	58.31	58.31	62.11	+0.01	0.00
Intl Growth Acc	5¼	39.45	39.45	42.19	−0.20	2.61
Japan Growth Acc	5¼	90.29	90.93	97.25	+0.40	0.00
UK Growth Acc	5¼	45.66	45.66	48.83	−0.18	2.98
UK Income Acc	5¼	51.28	52.37	56.01	+0.07	4.67
UK Income Inc	5¼	45.48	46.46	49.47	+0.16	4.67
Mngd Growth Acc	5¼	51.75	51.75	55.35	−0.12	2.13
Mngd High Yield Inc	5¼	64.99	67.54	72.29	−0.05	5.45
Mixed Income Inc	5¼	57.96	58.62	62.60	−0.08	4.53
Swiss Life Pen Tst Man Co Ltd (1800)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	337.4	342.5	362.4	+2.2	2.99
Equity Acc	5	433.1	439.6	465.2	+2.9	2.99
Fixed Int Dist	5	119.6	121.1	125.7	−0.5	[illegible]
Fixed Int Acc	5	212.0	215.0	222.8	−0.9	[illegible]
TSB Unit Trusts (y) (1600)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63432						
TSB American	5	98.89	98.89	105.17	−1.28	2.13
Do Accum	5	106.14	106.14	112.01	−1.38	2.13
TSB Brit Growth	5	55.17	55.17	58.69	+0.02	3.23
Do Accum	5	57.74	57.74	61.43	+0.07	3.23
TSB European	5	52.09	52.09	55.41	−0.06	1.11
Do Accum	5	53.50	53.50	56.91	−0.07	1.11
TSB Extra Income	5	147.64	147.64	157.06	+0.32	5.78
Do Accum	5	190.57	190.57	202.73	+0.41	5.78
TSB Smaller Cos	5	54.08	54.08	57.53	+0.22	1.14
Do Accum	5	55.05	55.05	58.56	+0.23	1.14
TSB General	5	179.50	179.50	190.96	+0.09	3.29
Do Accum	5	310.71	310.71	330.54	+0.15	3.29
TSB Gilt & Fxd Int	3½	48.66	48.66	50.32	−0.05	8.76
Do Accum	3½	72.47	72.47	75.[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or −	Yield Gross
Lazard Investors Ltd ¶¶				
Exempt Funds				
Small Co's Oct 17	4095.7	4475.4	----	1.5
European Oct 17	345.9	368.3	----	0.9
American Oct 17	270.2	286.4	----	2.3
Far Eastern Oct 17	524.5	556.4	----	0.2
Australian Oct 17	140.5	149.0	----	2.4
Midlands Sept 15	220.0	231.1	----	0.8
Northumbria Sept 12	195.6	210.5	----	1.3
North West Sept 12	220.2	231.8	----	0.6
East Coast Sept 15	88.1	90.9	----	1.2
W Midlands Aug 31	105.6	225.2	----	1.5
Intl Lst Mrt Sept 20	132.4	135.1	----	4.0
Property Oct 6	2930.0	3080.0	----	5.2
Inc Gth Prp July 7	1365.0	1420.0	----	7.0
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property Sept 30		211.95	----	5.73
Equity Sept 30		784.80	----	3.96
Fxd Int.Sec Sept 30		98.95	----	9.45
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (4o2)	93.6	94.31	----	0.00
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 19	38.9	41.4	+0.0	2.24
Euro Expt Oct 19	41.7	43.7	+0.0	2.32
Fixed Int Ex Oct 19	49.7	52.0	+0.0	9.64
Japan Expt Oct 19	32.8	35.0	+0.0	0.45
Managed Ex Oct 20	39.3	40.8	+0.0	4.42
SE Asia Expt Oct 19	34.8	36.5	+0.0	1.92
Sm Cos Expt Oct 19	43.7	45.8	+0.0	4.38
UK Eqty Ex Oct 19	35.9	37.6	+0.0	5.1
New Court Property Fund Managers				
NC Property	201.5	209.3	----	--
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fd	771.0	817.0	----	3.75
Do Accum	795.0	844.0	----	3.75
PDFM Int Exp Oct 20	125.2	127.3	+2.21	2.75
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.06	94.73	−1	2.92

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	55.1	58.0	−0.2	−
Cash Market Mngd Fund	52.7	55.3	−0.2	−
Equity Fund	57.1	60.2	−0.2	−
International Fund	49.0	51.6	−0.2	−
European Fund	50.5	53.2	−0.4	−
North American Fund	45.3	47.7	+0.5	−
Pacific Fund	59.1	62.3	−0.1	−
Property Fund	66.4	69.9		−
Fixed Interest Fund	53.2	56.0	−0.3	−
Index Linked Sec Fund	53.0	55.0	+0.3	−
Deposit Fund	54.5	57.4		−
NUAM Retirement Plans				
Mixed Fund	58.7	61.0	+0.1	−
UK Growth Share Fd	66.4	69.9	+0.3	−
International Fund	50.5	53.2	+0.1	−
Property Fund	64.6	68.0		−
Fixed Interest Fund	57.3	60.4	+0.1	−
Index Linked Sec Fund	53.9	56.7		−
Deposit Fund	58.6	61.6		−
NUAM (MF)				
Managed Fund	750.5	790.0	−2.6	−
Equity Fund	1490.9	1569.4	−4.0	−
Property Fund	414.3	436.2	+0.2	−
Fixed Interest Fund	392.8	413.5	−2.2	−
Deposit Fund	223.1	234.9		−
International Fund	127.4	134.2	−0.6	−
Index Linked Sec Fund	53.2	56.0	−0.4	−

Norwich Union Life Insurance Soc.

PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Pensions				
With Profits Fd	107.02	112.66	+0.04	−
Managed Fd	118.58	124.82	+0.25	−
UK Equity Fd	122.79	129.25	+0.40	−
International Fd	119.98	126.29	+0.21	−
European Fd	114.92	120.97	+0.66	−
North American Fd	116.70	122.84	+0.09	−
Pacific Fd	112.71	118.64	+1.04	−
Property Fd	117.50	123.68	+0.01	−
Fixed Int Fd	101.57	106.91	+0.09	−
Intl Bond Fd	105.88	111.45	+0.11	−
Bldg Soc Dep Fd	102.28	107.66	+0.03	−
Pensionmaster & Unit-Linked Plan*				
Fixed Interest Fund	285.9	301.0	+1.6	−
Index-Linked Sec Fund	152.0	160.0	+2.7	−
Ordinary Share Fund	479.0	504.2	+6.0	−
International Fund	128.5	135.2	+0.1	−
Property Fund	199.4	209.9	+0.2	−
Deposit Fund	183.2	192.8	+0.4	−
Mixed Fund	324.3	341.4	+2.3	−
Norwich Units October 15		822.3		−

*Prices as at October 18

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Providence Capital Life Assc. Co Ltd — Contd.

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd — Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	99	Treas. 9½pc '88	99	.....	–	
102	99	Treas 11½pc 1989	[illegible]	–	11.[illegible]	11.34
101	98	Treas 9½pc Cnv 1989	[illegible]	.....	9.5[illegible]	11.13
97	95	Treas 3pc 1989	97	–	3.[illegible]	8.49
102	99	Treas 10½pc 1989	[illegible]	.....	10.5[illegible]	11.58
[illegible]	98	Exch. 10pc 1989	[illegible]	.....	10.[illegible]	11.03
103	99	Exch 11pc 1989	[illegible]	.....	10.[illegible]	10.77
97	94	Treas 5pc 1986-89	[illegible]	–	5.2[illegible]	9.25
109	98	Exch 10½pcCv '89	100	–	10.[illegible]	9.776
107	102	Treas 13pc 1990	[illegible]	–	12.[illegible]	10.21
104	100	Exch 11pc 1990	100	–	10.[illegible]	10.21
107	102	Exch. 12½pc 1990	102	–	12.[illegible]	10.31
93	90	Treas. 3pc 1990	92	.....	3.[illegible]	8.51
99	95	Treas 8¼pc 1987-90	97	+	8.48	10.09
102	95	Treas. 8pc Cv 1990	99	–	8.06	8.46
103	98	Treas. 10pcCv 1990	99	–	10.03	10.20
91	87	Exch 2½pc 1990	89	–	2.80	8.10
107	101	Treas 11¾pc 1991	102	–	11.40	10.18
95	90	Funding 5¾pc '87-91	92	+	6.23	9.36
90	86	Treas. 3pc 1991	88	.....	3.40	8.19
105	98	Treas 10pc Cv '91	101	–	9.89	9.52
107	100	Exch 11pc 1991	102	–	10.75	10.07
98	92	Treas 8pc 1991	94	–	8.47	10.09
113	105	Treas 12¾pc 1992	107	+	11.85	9.91
104	98	Treas 10pc 1992	100	.....	9.98	9.21
98	92	Treas. 8pc 1992	94	–	8.48	4.95
106	99	Treas 10½pc Cv 1992	101	–	10.33	9.94
86	82	Treas. 3pc 1992	84	–	3.57	8.12
112	104	Exch. 12¼pc '92	107	–	11.43	9.93
117	108	Exch 13½pc 1992	111	–	12.13	9.94
97	91	Treas 8¼pc 1993	94	–	8.75	9.87
105	97	Treas 10pc 1993	100	–	9.93	9.78
115	107	Treas 12½pc 1993	109	–	11.38	9.04
93	87	Funding 6pc 1993	[illegible]	–	6.76	0.87

Five to Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	.....	3.50	f7.78
45	33	Do. 6pc 28 Stb. Ass.	45	.....	3	f6.67
45	33	Do 4pc Mixed Ass.	45	.....	2	f4.44
77	63	Hung. '24 Ass.	77	.....	2.75	f3.57
140	128	Hydro Quebec 15pc 2011	137	–	15.00	10.57
131	118	Iceland 14½pc Ln 2016	130	–	14.50	10.97
101	94	Ireland 9¾pc '91-96	99	–	9.75	9.90

AMERICANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
29½	22¼	Abbott Laboratories	27½	–¼	$1.20	–	2.6
649p	360p	Allegheny & W 1c	438p	–18	30c	–	4.2
14	862p	Amax $1	12	–	020c	–	0.9
15	8	Amdahl 5c	11	.....	h10c	–	0.5
31	22	Amer. Cyanamid $5	27	–	$1.20	–	2.5
17	11	Amer. Express 60c	16	–	76c	–	2.0
10	668p	Amer. Medical Int. $1	10	.....	72c	–	4.2
17	13	American T. & T $1	15	–	$1.20	–	4.6
56½	44	Ameritech $1	53	–	$5.40	–	5.9

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling moves higher

STERLING FINISHED at its best level of the day in currency markets yesterday, after slightly worse than expected money supply figures for September reinforced the view that hank base rates are unlikely to fall in the near term.

Demand pushed the pound to a best level of DM3.1825 at one point. This is close to a resistance level of DM3.1875, establisbed earlier this month, when the Bank of England intervened to sell sterling. Because of the proximity of such a key resistance level, investors were unwilling to push the pound firmer.

Market players also had to manage their portfolios without knowing the contents of the Mansion House speech by Mr Nigel Lawson, the Chancellor, given after the close of husiness. Mr Lawson's suggestion that the current account deficit will take time to improve is, however, only likely to underpin sterling still further.

The pound's exchange rate index rose to its best level of the day at the close, finishing at 76.9, up from 76.8 at the opening and 76.6 on Wednesday. Against the dollar it rose to $1.7630 from $1.7510, and was also higher against the D-Mark at DM3.1775 compared with DM3.1700. In yen terms, it rose to Y224.25 from Y223.00. Elsewhere, the pound finished at SFr2.6850 from SFr2.6800 and FFr10.8525 against FFr10.8250.

The dollar broke through resistance at DM1.8000, but failed to attract any stop loss selling. This added to uncertainty, as investors worried about the possibility of central bank intervention, and this served to drive the US unit back up to DM1.8025 at the close, compared with DM1.8110 on Tuesday. It was barely changed against the Japanese yen at Y127.20 from Y127.30. Elsewhere, it finished at SFr1.5225 from SFr1.5300 and FFr6.1550 compared with FFr6.1825. On Bank of England figures, the dollar's exchange rate index fell from 96.0 to 95.8.

A firmer trend in the US Federal funds rate on short term money added to the slightly more optimistic tone. Dealers suggest that the US authorities may be acting to ensure that the dollar remains within a relatively narrow range in the run up to next month's Presidential election.

The D-Mark moved up to a record fixing of FFr3.4164 in Paris, compared with FFr3.4134 on Wednesday, but there was no intervention by the Bank of France. There was little sign of any support by the French authorities in open trading, and the softer tone was exacerhated by a weaker dollar, which tended to push the D-Mark firmer. The extent of the decline was limited however, because investors still expect the Bank of France to intervene at some point.

Further labour unrest in the pnblic sector continues to weigh heavily on the Franc, and Tuesday's quarter point increase in the four-week sale and repurchase rate to 7.25 p.c. failed to lift investor confidence.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4893	+2.43	+0.86	±1.5344
Danish Krone	7.85212	7.99934	+1.87	+0.30	±1.5404
German D-Mark	2.05853	2.07403	+0.75	-0.82	±1.0981
French Franc	6.90403	7.08602	+2.64	+1.07	±1.3674
Dutch Guilder	2.31943	2.33259	+0.83	-0.74	±1.5012
Irish Punt	0.768411	0.775993	+0.99	-0.58	±1.6684
Italian Lira	1483.58	1544.81	+4.13	+3.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.20	Latest	Previous Close
£ Spot	1.7625-1.7630	1.7510-1.7520
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.20	Previous
8.30 am	76.8	76.6
9.00 am	76.8	76.5
10.00 am	76.8	76.5
11.00 am	76.8	76.4
Noon	76.8	76.4
1.00 pm	76.8	76.5
2.00 pm	76.8	76.5
3.00 pm	76.8	76.5
4.00 pm	76.9	76.6

POUND SPOT- FORWARD AGAINST THE POUND

Oct.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Belgian rate is convertible francs. Financial franc 67.20-67.30. Six-month forward dollar 2.64-2.59cpm 12 month 4.37-4.27pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7550-1.7655	1.7625-1.7635	0.58-0.55cpm	3.71	1.44-1.39pm	3.21
[illegible rows]						
Belgium	37.70-37.95	37.70-37.80	5.00-3.00cpm	1.27	15.00-11.00pm	1.38
Denmark	6.93¼-6.97½	6.94¼-6.95	0.50-0.20orepm	0.60	0.80-0.50pm	0.37
W. Germany	1.7980-1.8100	1.8020-1.8030	0.58-0.55pfpm	3.76	1.67-1.63pm	3.66
Portugal	148¼-149½	148¼-149	40-60cdis	-4.03	150-200dis	-4.71
Spain	112.35-118.95	118.55-118.65	22-32cdis	-2.74	87-97dis	-3.11
Italy	1339-1347	1341¼-1342¼	3.00-3.50liredis	-2.91	8.60-9.30dis	-2.67
Norway	6.65½-6.68	6.66-6.66½	2.40-2.55oredis	-4.46	7.10-7.30dis	-4.33
France	6.14-6.18	6.15¼-6.15¼	0.19-0.12cpm	0.30	0.55-0.35pm	0.29
Sweden	6.20½-6.22¼	6.21¼-6.21¾	1.00-1.15oredis	-2.08	2.80-3.10dis	-1.90
Japan	126.55-127.25	127.15-127.25	0.46-0.43ypm	4.21	1.31-1.28pm	4.08
Austria	12.64½-12.71¼	12.65½-12.66	3.20-2.90gropm	2.89	9.25-8.25pm	2.77
Switzerland	1.5190-1.5285	1.5220-1.5230	0.66-0.63cpm	5.09	1.86-1.81pm	4.83

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.10-38.20.

CURRENCY RATES

Oct.20	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]
Austrian Sch	4	15.5758	14.5797
Belgian Franc	7	50.3312	43.4893
Danish Krone	7½	9.26102	7.99934
Deutsche Mark	3½	2.40092	2.07403
Neth Guilder	4	2.71774	2.33259
French Franc	9½	8.19757	7.08602
Italian Lira	12½	1782.34	1544.81
Japanese Yen	2½	169.076	146.039
Norway Krone	8	8.36870	7.67455
Spanish Peseta	-	157.870	136.491
Swedish Krona	8½	8.25661	7.15454
Swiss Franc	3	2.02299	1.75178
Greek Drach	20½	196.804	170.030
Irish Punt	-	N/A	0.775993

*All SDR rates are for Oct.19

CURRENCY MOVEMENTS

Oct.20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.9	-15.8
U.S. Dollar	95.8	-11.7
Canadian Dollar	85.0	-1.7
Austrian Schilling	135.0	+10.1
Belgian Franc	98.4	-5.8
Danish Krone	89.2	-0.2
Deutsche Mark	145.1	+21.3
Swiss Franc	166.6	+19.5
Guilder	133.6	+13.7
French Franc	68.8	-15.3
Lira	45.2	-20.9
Yen	248.0	+84.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100/**Rates are for Oct.19.

OTHER CURRENCIES

Oct.20	£	$
Argentina	21.2900-21.4400	12.0900-12.2900
Australia	2.1440-2.1460	1.2155-1.2165
Brazil	737.65-741.60	418.50-420.50
Finland	7.5035-7.5165	4.2590-4.2610
Greece	258.50-263.00	146.80-149.30
Hong Kong	13.7670-13.7840	7.8115-7.8135
Iran	121.50*	68.85*
Korea(Sth)	1233.35-1243.25	704.20-710.00
Kuwait	0.49550-0.49650	0.28130-0.28140
Luxembourg	66.50-66.60	37.70-37.80
Malaysia	4.7055-4.7170	2.6710-2.6730
Mexico	4026.00-4038.90	2284.00-2290.00
N. Zealand	2.8465-2.8535	1.6180-1.6205
Saudi Ar.	6.6055-6.6160	3.7500-3.7510
Singapore	3.5405-3.5465	2.0080-2.0100
S. Af (Cm)	4.3015-4.3130	2.4410-2.4425
S. Af (Fn)	7.1255-7.2715	4.0405-4.1235
Taiwan	50.25-50.50	28.70-28.80
U.A.E.	6.4690-6.4800	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

Oct.20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12½-12¼	12¼-12	12-11⅞	12-11⅞	11⅞-11¾	11⅞-11½
US Dollar	8⅛-8⅛	8⅜-8⅛	8⅝-8½	8⅞-8¾	8⅞-8¾	8⅞-8⅞
Can. Dollar	10¼-9⅞	10⅛-10	10⅛-9⅞	10⅜-10⅛	10⅞-10⅝	10⅞-10⅛
D. Guilder	5⅝-5⅛	5⅝-5⅛	5⅞-5⅝	5⅞-5¾	5⅞-5¾	5⅞-5⅞
Sw. Franc	3⅝-3⅛	3⅞-3⅝	3⅞-3⅝	3⅞-3⅝	3⅞-3⅝	3⅞-3⅞
Deutschmark	4⅝-4⅛	4⅞-4⅝	4⅞-4⅝	5⅛-4⅞	5⅛-4⅞	5⅛-5⅛
Fr. Franc	7⅝-7⅛	7⅝-7⅛	8-7⅞	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛
Italian Lire	12-10	11⅛-10⅞	11⅞-10⅞	11⅛-11	11⅛-11⅛	11⅛-11⅛
B. Fr. (Fin)	7⅛-7⅛	7⅛-7⅛	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7⅞-7⅞
B. Fr. (Con)	7⅛-7⅛	7⅛-7⅛	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7⅞-7⅞
Yen	4⅛-4	4⅛-4⅛	4⅞-4⅝	4⅞-4⅝	4⅞-4½	4⅞-4½
D. Krone	7⅛-7⅛	8-7⅛	8-7⅛	8⅛-8	8⅛-8⅛	8⅞-8½
Asian $Sing	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9⅛-9 per cent; four years 9⅞-9⅛ per cent; five years 9⅞-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.763	3.178	224.3	10.85	2.685	3.585	2366	2.112	66.55
$	0.567	1	1.803	127.2	6.154	1.523	2.033	1342	1.198	37.75
DM	0.315	0.555	1	70.58	3.414	0.845	1.128	744.5	0.665	20.94
YEN	4.458	7.860	14.17	1000.	48.37	11.97	15.98	10548	9.416	296.7
F Fr.	0.922	1.625	2.929	206.7	10.	2.475	3.304	2181	1.947	61.34
S Fr.	0.372	0.657	1.184	83.54	4.041	1	1.335	881.2	0.787	24.79
H Fl.	0.279	0.492	0.886	62.57	3.026	0.749	1	660.0	0.589	18.56
Lira	0.423	0.745	1.343	94.80	4.586	1.135	1.515	1000.	0.893	28.13
C $	0.473	0.835	1.505	106.2	5.137	1.271	1.697	1120	1	31.51
B Fr.	1.503	2.649	4.775	337.0	16.30	4.035	5.387	3555	3.174	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices ease

STERLING BASED contracts finished on a weaker note in yesterday's Liffe market. Short sterling values reversed a stronger opening, as money supply figures reduced the scope for an early cut in bank base rates.

The December price opened at 88.36, up from 88.33, and touched a high of 88.39, before coming back to a close of 88.27.

Long gilt futures followed much the same pattern. Sentiment was affected by yesterday's banking figures, which showed the Bank of England as a net seller of Government debt - to the tune of around £700m - and contrary to an earlier assumption that the Bank was steadily buying in long gilts.

However, part of the apparent anomaly may be that the authorities have bought long dated paper for early redemption from overseas investors, and at the same time have been net sellers to domestic institutions.

US Treasury bond futures lost ground.

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE FT-SE INDEX FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING; PHILADELPHIA SE £/$ OPTIONS; LONDON SE £/$ OPTIONS

[illegible]						

LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; THREE MONTH EURODOLLAR; FT-SE 100 INDEX

[illegible]				

Estimated Volume 4470 (6364)
Previous day's open int. 7770 (7540)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7630	1.7576	1.7489	1.7369	1.7198

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.7520	1.7568	1.7518	1.7402
Mar	1.7404	1.7466	1.7402	1.7290
Jun	1.7270	1.7366	-	1.7176

CHICAGO: U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

[illegible]				

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]								

TOTAL VOLUME IN CONTRACTS: [illegible]

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%
[illegible]			

MONEY MARKETS

No initial reaction

A LARGER than expected rise in September money snpply figures left UK interest rates little changed yesterday. Analysts were quick to point out that the key elements affecting sentiment, which include lending to the private sector, showed a decline from levels recorded in August.

This gave rise to suggestions that consumer spending is starting to react to the high cost of borrowing. While M4 bank lending was higher than expected at £7.7bn, a hulk of the rise was attributed to an increase in leasing and in construction spending.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The steady tone in interbank rates - three-month money finished at 12-11⅞ p.c against 12-11⅞ p.c. - also reflected a cautious tone ahead of a speech by Mr Nigel Lawson, Chancellor of the Exchequer, at the Mansion House. Mr Lawson's speech, delivered after the close of business in London, underscored recent market fears that the current account deficit will take some time to respond to a tighter monetary policy.

The Bank of England forecast a shortage of around £300m, with factors affecting the market including, repayment of late assistance and hills maturing in official hands, together with a take up of Treasury hills draining £236m, and Exchequer transactions a further £85m. There was also a rise in the note circulation of £85m. These were partly offset by banks' halances hrought forward £95m above target.

The forecast was revised to a shortage of around £400m, and the Bank gave assistance in the morning of £12m through outright purchases of eligible hank bills in band 1 at 11⅞ p.c.

A further revision took the forecast to a shortage of around £350m, before taking into account the morning help, and the Bank gave additional assistance in the afternoon of £93m, through outright purchases of £62m of eligible bank bills in band 1 at 11⅞ p.c. and £31m in band 2 at 11⅞ p.c. Late help came to £225m, making a total of £330m.

There was no change in credit policies or interest rates after yesterday's meeting of the Bundesbank central council in Frankfurt. Short term rates showed little change as commercial banks continue to make good progress towards meeting end of month minimum reserve requirements.

An annualised growth of 6.6 p.c. in West German M3 money supply based on latest figures for the August/September period, was up from 6.3 p.c. in July/August, and showed a further drift from the authorities' official target range of 3-6 p.c. However, interest rates showed little reaction, with period money largely unchanged from Wednesday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.20) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 8⅞	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½-¾
Fed.funds	8⅛-⅞
Fed.funds at Intervention	-

Treasury Bills and Bonds

One month	7.23	Three year	8.44
Two month	7.30	Four year	8.50
Three month	7.69	Five year	8.55
Six month	8.00	Seven year	8.70
One year	8.13	10-year	8.81
Two year	8.39	30-year	8.89

Oct.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.75-4.85	4.75-4.90	4.75-4.90	4.90-5.05	5.00-5.15	5.00
Paris	7⅛-7⅞	7⅞-7⅞	7⅞-8⅛	8-8⅛	8⅛-8⅛	7.25
Zurich	1⅞-12⅞	3⅞-3⅞	-	3⅞-3⅞	-	-
Amsterdam	5.18-5.31	5.25-5.38	-	5.25-5.38	-	-
Tokyo	3.90625	4.21875	-	4.34375	-	-
Milan	10⅛-10⅞	11-11½	-	11⅞-11⅞	-	-
Brussels	5.35	7⅞-7⅞	-	7⅛-7⅞	-	-
Dublin	7⅛-7⅞	7⅞-7⅞	7⅛-7⅞	7⅞-7⅞	7½-7⅞	-

LONDON MONEY RATES

Oct.20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14	12⅛	12⅛	12⅛	11⅞	11⅞
Interbank Bid	11⅞	12	11⅞	11⅞	11⅞	11½
Sterling CDs	-	-	11⅞	11⅞	11⅞	11⅞
Local Authority Deps.	12⅛	12⅛	11⅞	11⅞	11⅞	11⅞
Local Authority Bonds	-	-	12⅛	12⅛	12⅛	12⅛
Discount Mkt Deps.	13	12	11⅞	11⅞	-	-
Company Deposits	-	-	12	12	11⅞	11⅞
Finance House Deposits	-	-	11⅞	11⅞	11⅞	11½
Treasury Bills (Buy)	-	-	11⅞	11⅞	-	-
Bank Bills (Buy)	-	-	11⅞	11⅞	11⅞	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	11⅞	-
Dollar CDs	-	-	8.25-8.20	8.50-8.45	8.55-8.50	8.75-8.70
SDR Linked Dep Offer	-	-	7⅛	7⅞	7⅞	7½
SDR Linked Dep Bid	-	-	7	7⅞	7⅞	7⅛
ECU Linked Dep Offer	-	-	7⅞	7⅞	7⅞	7⅞
ECU Linked Dep Bid	-	-	7⅛	7½	7½	7⅞

Treasury Bills (sell); one-month 11⅞ per cent; three months 11⅞ per cent; Bank Bills (sell): one-month 11⅞ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.5483 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Sept.30, 1988. Agreed rates for period October 26,1988 to November 25, 1988, Scheme I: 13.12 p.c., Schemes II & III: 13.41 p.c. Reference rate for period Sept.1,1988 to Sept.30, 1988, Scheme IV&V: 12.234 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from October 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

طبق الأصل

LONDON STOCK EXCHANGE

Late boost from speculative activity

A CAUTIOUS London equity market was once again spurred ahead in late trading by a burst of speculative activity. Market indices, which had been showing modest falls as the City awaited last night's economic speech at London's Mansion House from Mr Nigel Lawson, the UK Chancellor of the Exchequer, swung into plus territory in the final hour of trading.

Financial stocks traded heavily throughout as the market assessed the implications of a plan to merge Abbey Life, the life assurance group, with the financial services divisions of Lloyds Bank. However, the spotlight later turned, first to consumer stocks on reports that a management buyout has been mooted at RBJ Nabisco, and then to the mining sector as Lonrho and Consolidated Gold Fields surged ahead. Shares in Gold Fields rose very strongly in late dealings to £12⅞ with traders scrambling for stock to meet the rush of speculative demand. The market was alive with suggestions that Minorco's near £3bn bid will escape referral to the UK Monopolies Commission, and that a new bidder will then appear with a higher cash offer. However, the Office of Fair Trading said later that no statement would be made on the Gold Fields situation before next week.

Account Dealing Dates

First Dealings:		
Oct 3	Oct 17	Oct 31
Option Declarations:		
Oct 13	Oct 27	Nov 10
Last Dealings:		
Oct 14	Oct 28	Nov 11
Account Day:		
Oct 24	Nov 7	Nov 21

*New time dealings may take place from 9.00 am two business days earlier

The activity in speculative issues masked a steady performance by equities following news of sharper than expected rises in UK M0 money supply and M4 bank lending during September. The bank lending rise of £7.7bn compared with City forecasts of around £6.6bn.

Sentiment also weathered selling of British Gas as analysts scanned the critical Monopolies Commission report.

Share prices, which were trying to rally from a slow start, dippped sharply but very briefly on the money supply announcement. There were few sellers and the market had already substantially reduced its mid-session fall when the speculators took a hand.

The FT-SE Index closed 1.8 points ahead at 1864.3, boosted by the gain in Gold Fields shares. Seaq turnover of 612.7m shares, against 595.7m on Wednesday, again bore witness to huge speculative activity. The daily Seaq volume figure incorporates customer and marketmaker business.

The hint of a $17bn buyout at RJR Nabisco, which would be the largest in US market history, was enough to send buyers into BAT Industries, which would receive increased weighting in fund portfolios if RJR quits the tobacco share lists. Food shares also improved on the likely knock-on effect of a new valuation of Nabisco's assets.

The domestic bid scene was enlivened by signs of a clash over the outcome of Mecca Leisure's bid for Pleasurama, as Pleasurama questioned the initial count of share acceptances for Mecca's offer.

Lloyds move for Abbey

Lloyds Bank shares, up 10 on Wednesday when a link-up with life group Abbey was first whispered in the market, raced up to 357p immediately following news of the terms of the deal.

Later in the day, however, the shares came under sustained and often heavy selling pressure and closed only a net 11½ higher at 340½p. Turnover grew rapidly throughout the day and eventually settled at 17m. Abbey shares remained suspended, but there was ominous talk in the market that the deal could well encounter opposition from Abbey shareholders.

The terms of the get-together were seen by the market as exceptionally favourable to the high-street bank which will inject its Black Horse estate agencies, unit trust division, Bowmaker finance house and its life business and insurance brokerage unit into Abbey. In return, Abbey will issue 380m shares, or 57.6 per cent of its equity, to Lloyds.

Mike Pesemeyer, bank analyst at SBCI Savory Milln, said: "Brian Pitman has engineered an exceptionally good deal for Lloyds, which will have effectively bought Abbey Life, improved its capital ratios and produced an extremely high quality distribution network in one fell swoop."

BAT rise late

The possible buy-out at RJR Nabisco revitalised interest for BAT Industries and the shares surged higher to close 12 up at 463p. Mark Duffy, analyst at Warburg Securities, said, "the news is of major importance. It highlights the huge discrepancy in book valuations of tobacco groups and has positive implications for BAT and other majors." BAT shares currently trade at a 15 per cent discount to US competitors.

Glaxo potential

Glaxo resumed its upward path, lifted in late trading to 1123p, a gain of 8½ on the day. Turnover was 1.4m shares which failed to reflect the excitement caused by rumours of bullish news to be published in a leading medical journal.

Dr Arnab Banerji of Nomura Research Institute commented on an article in the British Medical Journal which presented trial results indicating that Glaxo's anti-ulcer drug Zantac could reach a major new market. "A multi-centre European trial indicates that Zantac has very significant beneficial effects on the ulceration which is a side-effect of the anti-inflammatory drugs prescribed to most arthritis sufferers," he said.

The clinical performance by Zantac became even better news for Glaxo when it was juxtaposed with the Roth trials done last year which showed that SmithKline's rival anti-ulcer drug Tagamet had no beneficial effects on similar patients. "Glaxo shares are a strong buy on the back of this news," said Banerji. "The potential size of this market is hard to estimate, but it could be as big again as the existing ulcer market for Zantac."

Lonrho again busy

Lonrho traders continued to keep close watch yesterday on Smith New Court, the investment house which they believe to be conducting the heavy activity in the shares. Trade once again reached sizeable proportions but, until the late dealings when two deals totalling 13m shares were suddenly recorded, most of the business was conducted through inter-dealer broker rather than Seaq screens. This implied that the recent large buyer was taking time off and led to speculation as to the reason for the demand. One possibility was that a marketmaker was rectifying a substantial short book position.

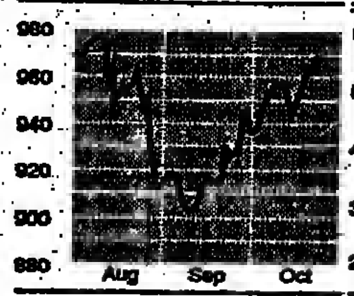
The market, meanwhile, waited for confirmation that the Australian corporation headed by Mr Alan Bond had increased its stake from the recently reported 4.1 per cent. A spokesman for the diversified UK trading conglomerate said he would not be surprised if the holding was nearer 10 per cent, but only time will tell. Reports of RTZ, the mining to aggregates group, showing interest were greeted sceptically. Lonrho shares traded within a much narrower compass yesterday before rising late to 379p, up 5, after volume of 29m.

British Aerospace began a strong run after-hours with the shares touching 502p after having closed 9 up at 494p, on Avis Europe's £540m order at showroom prices for 20,000 cars over the next three years. Robert Speed, sector specialist at UBS Phillips & Drew, believes the deal to be significant in terms of both sales and profits but, more importantly, it provides a wonderful shop window for Rover cars".

Another day of extremely high levels of activity in Ferranti — 14m were traded yesterday after the recent long list of double-figure turnovers in the stock — saw the shares ease 2¼ to 97¾p, after 96¾p; at the very close of trading the Guardian Royal Exchange insurance group revealed it had reduced its shareholding in the electronics group by 6.69m shares to 38.4m shares, or 4.48 per cent of the company's issued capital.

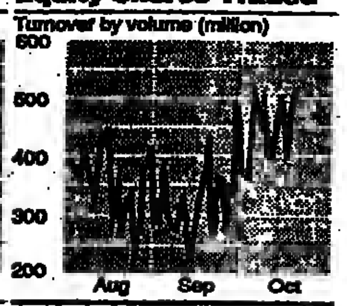
An analysis of last week's trading volume in UK electronics by Laurence Prust, Hayworth, of Flemings Research, issued before the GRE news, noted "a particularly high level of customer (as opposed to inter-marketmaker) business in Ferranti with 2.2 per cent of the company changing hands, compared with 1.4 per cent the previous week and 0.9 per cent the week before that. This seems to have more to do with divergent broker recommendations rather than with takeover speculation," the Flemings researcher concluded.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



International stocks largely failed to share in the excitement surrounding Glaxo, although there was good interest in ICI which rose 4 to 1058p in much-improved turnover of 2m shares. Several investment houses remain strong chasers of the stock ahead of next week's third quarter figures.

Beecham was a flat market and fell 4½ to 471½p as 2.8m shares were traded, while Fisons fell the same amount to 282½p in good volume of 4.8m. The long-running stock shortage was said to have been filled.

Pleasurama topped the active list as a massive 38m shares changed hands. The shares rose 1 to 229p after heavy trading before 9.00am as Barclays de Zoete Wedd, the broker acting for Mecca Leisure during the bid, tried to pick up more stock. Offering 240p cash, BZW managed to buy roughly 3 per cent of Pleasurama to add to the 7.2 per cent it bought on Wednesday.

The result of the bid by Mecca Leisure was in doubt after the close of official trading, but brokers at BZW were confident of victory. Mecca shares fell as low as 155p at one stage, before rallying to close at 161p, a fall of 16 on the day.

The proposed Lloyds/Abbey deal immediately focused attention on other banks and financial services companies. TSB were pinpointed as having all the attractions of the Lloyds/Abbey tie-up and the shares jumped smartly to touch 114½p, up 4, after turnover had reached a spectacular 20m.

Hambros, which also has a life business as well as major estate agency interests, also moved sharply into focus and was 3 firmer at 243p.

Barclays picked up 4¾ to 427½p on turnover of 3.1m, Midland, linked with insurance group Commercial Union, rose 4 to 441p, while NatWest hardened to 562p.

Standard Chartered, in the limelight recently when Sir YK Pao's rights entitlement was placed in the market, sprang to life again as the rights entitlement of another of the so-called "White Knights" Tan Sri Khoo Peck, 5.5m nil-paid new shares, was placed in the market at 98p, thereby reducing his stake in the bank to around 5 per cent from the 7 per cent-plus level.

Brewery stocks had little to show from a quiet day's trading which was enlivened only by an attempt early on to buy stock in Scottish & Newcastle. The brokers acting for Elders IXL in its £1.6bn takeover bid expressed their interest in stock at 400p, well above Wednesday's closing price of 392½p. After some hectic dealing, S&N shares raced up to 401p, before settling at 400½p. Turnover was 11m shares, of which roughly 5m were thought to have been bought by Elders, raising its stake to just short of 11 per cent.

Stores picked up in late trading, with Marks & Spencer emerging from a long period of obscurity to rise 5 to 171p in turnover of 3.9m. Underwoods rose 8 to 95p as bid speculation mounted following a poor set of trading figures.

STC moved up 4¼ to 295p on turnover of 2.9m after a well-received institutional presentation hosted by Warburg Securities.

A sharp rise in Arthur Lee, 8 up at 146, followed news that G.M. Firth has taken a stake of 2.8m shares. James Neill slid 9 to 124p on the disclosure that BM Group has sold its 4.87 per cent stake in the hand and garden tool manufacturer. Neill remains a prominent bid feature and, despite assurances from the chief executive of institutional support for the company, traders expect another hostile shareholder to emerge soon.

Noble & Lund performed strongly with a rise of 7 to 103p on newspaper reports of an impending bid from J A Wassall, unaltered at 245p. Yield considerations took Powell Duffryn up 7 to 387p, while interim statements left Davies & Newman 20 higher at 635p and Sharp & Law 5 dearer at 170p. Lodge Care rose to 230p on asset injection hopes before wilting late to end 19 down on balance at 200p.

Food stocks traded quietly until rumours of a possible management buy-out of Nabisco in the US led to a dramatic upsurge of interest. United Biscuits led the way, recovering from early falls to record a rise of 8 to 316p in turnover of 18m shares. Once again a host a names was mentioned, with French group BSN still the favourite after it announced its intention to launch a fund-raising convertible bond issue., thought to be in the order of Ffr1.3bn.

Dealers commented that there was plenty of stock in the market and said that some of the stories doing the rounds were ridiculous. Nevertheless, interest followed through to Unigate, up 6 to 283p, and Northern Foods, a similar amount better at 284p.

Agreed share exchange terms, or a cash alternative of 330p per share, from Allied Textile nudged Hugh Mackay 3 higher to 333p. Allied improved 5 to 346p.

Polly Peck shrugged off the adverse effects of market gossip relating to possible fund raising and higher tax charges to close 8 higher at 317p.

Numerous downgradings by top broking houses after the Monopolies Commission inquiry into industrial gas pricing, hit British Gas shares which lost a further 3¼ to 166p, after 165p, with turnover at 21m.

Other oils were mostly steady as the OPEC Pricing and Strategy Committee meeting continued; late yesterday crude oil prices were up some 30 cents a barrel.

One casualty in the sector was Calor which encountered sustained selling prior to closing a net 9¼ lower at 388¼p.

The traded options market was governed heavily by bid and corporate re-structuring talk, as the volume of transactions rose to 47,416 contracts, comprising 29,885 calls and 17,531 puts. Turnover in British Gas options accounted for almost a quarter of the day's dealings, against the background of the official stricture on its pricing policy. Total deals in the stock's options came to 11,508 contracts, comprising 3,165 calls and 8,343 puts.

The management buy-out proposal at RJR Nabisco had a knock on effect on BATs, which attracted late trading, largely in the November 460 calls, as total calls in the stock came to 1,444, and puts to 352.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 37.

FINANCIAL TIMES STOCK INDICES

	Oct 20	Oct 19	Oct 18	Oct 17	Oct 14	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.15	89.37	89.21	88.86	88.65	88.06	91.43 (18/4)	86.38 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.75	97.62	97.62	97.57	97.51	91.90	98.67 (26/5)	94.14 (6/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1512.5	1513.2	1509.5	1510.9	1494.0	1435.3	1514.7 (8/8)	1349.0 (9/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	170.7	174.9	176.4	174.1	174.1	399.0	312.8 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dt. Yield	4.60	4.57	4.58	4.59	4.64	4.22				
Earning Yld %(full)	11.54	11.52	11.56	11.57	11.69	10.41				
P/E Ratio(net)(*)	10.49	10.52	10.48	10.47	10.36	11.78				
SEAQ Bargains(5pm)	28,484	26,195	28,183	28,512	29,889	86,240				
Equity Turnover(£m)†	-	1383.78	1173.46	1002.23	1276.40	2695.91				
Equity Bargains†	-	28,312	28,183	28,696	30,334	114,974				
Shares Traded (ml)†	-	518.6	483.1	395.9	508.2	919.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1508.5	1509.9	1507.3	1508.8	1509.2	1508.3	1508.3	1508.0

DAY'S HIGH 1512.5 DAY'S LOW 1504.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.41 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Oct 19	Oct 18
Gilt Edged Bargains	135.9	122.3
Equity Bargains	182.5	182.4
Equity Value	2817.2	2373.9
5-Day average		
Gilt Edged Bargains	119.1	111.4
Equity Bargains	181.1	174.9
Equity Value	2372.7	2273.5

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Boots	2,500	228	+3
British Airways	2,050	168	+1
Brit. Aerospace	1,300	494	+9
Brit. & Comm.	1,500	236	-5
British Gas	21,000	166	-3½
British Land	644	354	-1
BP	1,400	244½	-1½
British Telecom	4,500	244	
Burmah Oil	207	537	-5
Burton	2,200	212½	+½
Cable & Wireless	1,400	401	-3
Cadbury Schweppes	2,900	386	-1
Coats Viyella	1,200	174	+1
Commercial Union	477	347½	-1

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
GKN	1,300	188½	-½
[illegible]	510	1254½	+27½
Guinness	1,300	344	
Hammerson "A"	166	640	-1
Hanson	2,700	149½	-2
Harrisons & Cros.	733	648	+10
Hawker Siddeley	324	546	+3
Hillsdown Hldgs.	1,600	202	+2
IMI	1,300	204½	+3½
Imp. Chem.	2,000	1058	
Inchcape	2,400	218	+3
Jaguar	1,150	262	-5
Ladbroke	366	453	-1

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Pilkington	1,200	215	-1
Plessey	557	167½	-½
Prudential	2,000	158	+½
Racal	2,400	306½	-4½
Rank Org.	270	722	-1
RMC	338	494	-2
[illegible]	923	379	-1
Reckitt & Colman	373	950	-2
Redland	550	449½	+4½
Reed International	576	411	-5
Reuters "B"	275	501	-5
RTZ	963	447	
Rolls Royce	2,100	134	+2

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Tate & Lyle	255	868	-2
Tesco	1,400	146	-1½
Thorn EMI	745	622	+2
Trafalgar House	1,100	318	-1
Trusthouse Forte	3,600	277½	-1½
Ultramar	388	249	-5
Unilever	818	444	
United Biscuits	12,075	316	+8½
Utd. Newspapers	777	428	-2
Wellcome	844	494	-4
Whitbread "A"	446	236	
Williams Hldgs.	325	260	
Wimpey	2,300	281	+2
Woolworth Hldgs.	1,200	279	-3

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (88). [illegible] AMERICANS (1) CPC Intl., BANKS (3) ANZ, C'tlgn. Hlt., Lloyds, BREWERS (3) Invergordon Dists., Macallan-Glenlivet, Merrydown Wine, BUILDINGS (3) Manders Hldgs., Severfield-Reeve, Sharpe & Fisher, CHEMICALS (3) Gaynor Grp., Rechem Envmtl. Servs., Sema Group, ELECTRICALS (6) Kewill Systems, MTL Instruments Grp., Pressac, Scholes (G.H.), ENGINEERING (4) Haden Maclellan, Hewitt Siddeley, Renold, Weir Grp., FOODS (2) BSN, Everest Foods, HOTELS (1) Mt. Charlotte, INDUSTRIALS (11) AMI, ASD, Allied Part.,Charter Cons., Cooper (Alan), Elkem AS, Glaxo, Kershaw (A.), Marling Inds., Noble & Lund, Spear (J.W.), INSURANCE (2) Heath (C.E.), Taisho, LEISURE (1) Radio City "A" NV, NEWSPAPERS (1) Assoc. News, PROPERTY [illegible] TEXTILES [illegible] TRUSTS [illegible] Camborian & Gen., Cont. Assets Tst., Ensign Dual Zero, Fundinvest Inc., Mezzanine Cap., Multitrust, Primadona, Rights & Issues Inc., TR City of London Dfd., Ablogworth, Tramwood.

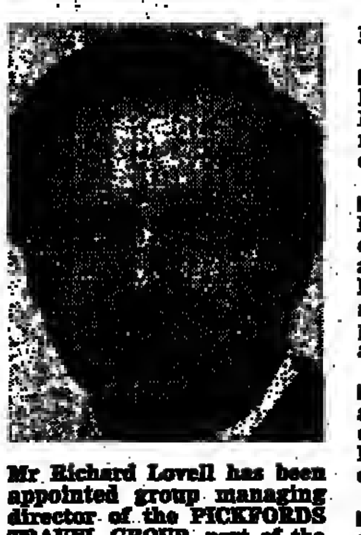
NEW LOWS (16). AMERICANS (1) Eaton Corpn., CANADIANS (3) Armeno, Cons. TVX Min. Corp., Geodome Res., ELECTRICALS (3) Kode Int., Noida Corp., Personal Comps., FOODS (1) Barker & Dobson, PAPERS (1) Serif Cowells, PROPERTY (2) English & Overseas Prop., INOCO, TRUSTS (1) Siam Fund, OILS (1) Sandpiper Oil, MINES (3) Beaconsfield, Bracken, Anglo-Dominion.

APPOINTMENTS

New chief for BP Oil

■ Mr Robert Pennant Jones has been appointed chief executive of BP OIL, the UK marketing and refining arm of BP. He succeeds Mr David Kendall who has left the BP Group after 25 years. Mr Pennant Jones has had considerable overseas experience with BP having worked in Germany, US, Sweden and Malaysia, where he was managing director for two years until 1983. He returned to London as assistant general manager responsible for external affairs in government and public relations department and in 1985 was appointed regional co-ordinator for East Asia.

■ Mr Jim Sutcliffe, general manager, international division, will take up a two-year appointment on January 1 as chief operations officer at Jackson National Life in Michigan, the PRUDENTIAL CORPORATION's US subsidiary. Mr Adrian Daly, managing director of Prudential Vita, the company's recently formed Italian life operation, will be appointed general manager, international division, on the same date. Mr Daly will takeover Mr Sutcliffe's responsibilities for new developments within the international division, with particular emphasis on formulating the corporation's European strategy. Based in London, he will continue to retain executive responsibility for Prudential Vita operations.



Mr Richard Lovell has been appointed group managing director of the PICKFORDS TRAVEL GROUP, part of the employee-owned National Freight Consortium. He moves from the position of managing director of the business travel division. Mr Lovell replaces Mr Richard Gapper, who is joining the NFC board as divisional managing director, property and travel, but will continue his involvement with Pickfords Travel Group as its chairman.

■ Following the annual meeting, Mr A.R. Gunnah has been made director, corporate development, at GNOME PHOTOGRAPHIC PRODUCTS.

■ HILLSDOWN HOLDINGS has appointed Mr Michel Buswell to the board. He will remain in charge of the company's meat interests.

■ MORINO has appointed Mr Lex Hennequin as a regional director responsible for its agents in South America, Israel, the Middle East and southern Europe. He was vice president, sales and marketing, at Inside Automation.

■ Mr Richard Prest has been appointed non-executive chairman of HYDRA TOOLS INTERNATIONAL. He is chairman of Faber Prest.

■ Mr Peer Triggs, director of sales, has become managing director of LAIDLAW (ESSEX).

■ Sir John Cuckney, chairman of 3i, has been appointed chairman of the UNDERSTANDING INDUSTRY TRUST.

■ Mr Graham Mackay has been appointed works director of CARRON STAINLESS PRODUCTS. He was in charge of sink production

■ Mr Peter Arbuthnot has been made managing director of CHRISTIE'S SCOTLAND from January 1. He was in charge of the City of London office.

■ Mr Harry Hill and Mr John May have been appointed joint managing directors of the HAMBRO COUNTRYWIDE GROUP, with respective responsibility for the estate agency, professional and commercial divisions and the new financial products division. Mr Chris Shaw and Mr David George have been made joint managing directors of the Countrywide surveyors division, which is an amalgamation of the various professional and commercial practices

Mr John Finan, a director of Pearl Assurance and General Managers UK Home Service, is leaving Pearl to join the BRITANNIA ARROW GROUP. He will become deputy chairman and chief executive of National Employers Life, Britannia Arrow's insurance subsidiary, on January 2. He will also join the boards of Britannia Unit Trust Managers and MIM.

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	22¾	Texas Insts $1	23½xd	-⅛	72c	—	1.8
[illegible]	43¼	Time Inc $1	66xd	[illegible]	$1.00	—	0.9
21½	15¾	Transamerica $1	19¾xd	-⅛	$1.84	—	5.4
[illegible]	[illegible]	TRINOVA Corp.	15⅛xd	-⅛	64c	—	2.4
[illegible]	15½	USX $1	15¾	-⅛	$1.20	—	4.3
24	17¾	Utd Technologies	23½xd	-⅛	$1.60	—	4.0
34¾	26¾	US West	32¾	-¾	$3.52	—	6.4
24	[illegible]	Waste Management $1	23¾	-⅛	48c	—	1.2
16	12	Whirlpool $1	15	....	$1.10	—	4.3
33	18¾	Woolworth $3½	32	-⅛	$1.64	—	3.0

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309	154	ABM Gold Corp	177	-1	—	—	—
325	110	Abbot Energy Corp	14	[illegible]	—	—	—
14	916	Amer. Barrick Res.	10	[illegible]	—	—	—
10	5	American Lightwave	3	-1	—	—	—
47	7	Aroneco	7	-2	—	—	—
76	37	Asamera Expln	51	-3	—	—	—
14	10	Bk Montreal	13	[illegible]	$2.00	—	7.1
769	514	Bk Nova Scot.	732	-13	76c	—	5.0
18	15	BCE	18	.....	$2.44	—	6.4
716	591	Bow Valley	631	+6	40c	—	3.1
11	10	Brascan	12	.....	88c	—	3.4
328	123	Breakwater Res.	208	-1	10c	—	2.3

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

هكذا من الأصل

هكذا منـ الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

Stock	Price	+or-	Div Net	Cvr	Gr's	P/E
[illegible]						
Tomorrows Leisure 20p	28	-1	—	—	—	●
Tullow Oil 10p	20		—	—	—	—
UPL Group 10p	120		L2.41	4.3	2.9	15.0
Unit Group	150		5.0	2.9	4.4	8.5
Video Tape Rec 5p	107		L2.3	2.3	2.9	15.4
Wilton Group	6	+½	—	—	—	—

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs, Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+or-
Albany Inv 20p γ	71	
Craig & Rose £1 γ	690	
Finlay Pkg. 5p γ	85	
Holt (Jos) 25p γ	£11½	+¼

IRISH

Stock	Price	+or-
Cap. 8½% Ln. 1991	£99½	
9pc Cap Ln. 1996	£103¼	+½
Fin. 13% 97/02	£123¼	
Arnotts γ	995	
Carrol Inds. γ	165	
Grafton Grp. γ	140	
Hall (R. & H.)	155	
Helton Hldgs. γ	69	
Irish Ropes γ	165	

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	18
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Stock	p
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Stock	p
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Stock	p
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

Brazilian rains come too late to lift coffee gloom

By John Barham in Sao Paulo

THE DROUGHT in Brazil's best coffee growing regions appears to be ending, but the rain has come too late to reverse coffee grower' losses.

Traders and government officials say the market is unlikely to be undersupplied because stocks are more than adequate, but Mr Jorio Dauster, president of the Brazilian Coffee Institute, still finds the situation "very worrying."

"There has been a great loss of leaves," he said. "Flowering has also been aborted."

Mr Rui Bonnini, a Sao Paulo state agronomist, said: "Rain patterns are practically returning to normal, but the losses are irreversible. Many plants will not produce in the next harvest."

The drongbt affected Sao Paulo and many regions of Minas Gerais, Brazil's major coffee states. Parana, to the south, escaped the worst of the drought, but suffered most from very cold weather in June and July.

The IBC has only just begun assessing the drought's impact, and unofficial estimates vary widely. Mr Jaime Miranda, a Sao Paulo coffee grower, said prodnction in his state bad already crashed by 70 per cent, while Mr Bonnini said losses varied between 50 per cent and 80 per cent. The IBC has noted heavy losses in southern Minas Gerais, but one co-operative reported no major damage.

Growers say they are now expecting a crop of about 25m bags (60 kg each) in 1988-89, compared with pre-drought estimates of up to 40m bags. But some traders say losses are being exaggerated.

Mr Jochen Timm, a partner in the Stockler export house, said he expected a harvest of 30m to 32m bags next year, with no serious shortage of quality coffees.

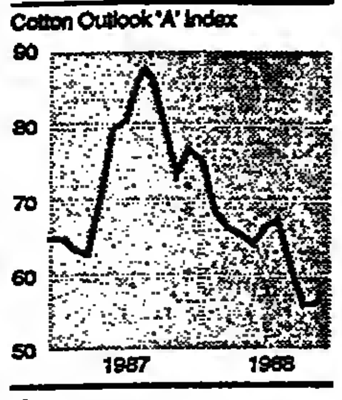
Mr Dauster also said the lower output should not lead to any shortages, even though the institute's harvest estimate of 20.6m bags for 1987-88 may have to be revised downwards. He explained that the institute had built up its stocks to 17m bags and would be able to meet all export demand.

However, that is little solace to producers who have lost most of their 1988-89 crop. Mr Miranda is appealing for government financial support for small producers.

Some large farms are cutting coffee plantings – one big grower, Mr Horacio Lopes, said he had already replaced 20 per cent of his 105,000 bushes with sugar cane and oranges. But smaller producers cannot afford to switch to new crops

Cotton

Cotton Outlook 'A' index



Slower growth seen in cotton demand

By Bridget Bloom

WORLD CONSUMPTION of cotton is likely to rise by an average of 2.3 per cent a year over the next five years, slowing down from the 3.5 per cent rate achieved since 1980-81.

However, the slow down will be less the result of a fall in cotton's share of the world's fibre markets than a decline in the growth of the fibre market overall, the Economist Intelligence Unit believes.

In a new report, the EIU forecasts that the uext four years will see falling dollar prices for raw cotton. Averaging 72 cents a pound in the 1987-88 season, they are likely to be down to 65 cents a pound in 1991-92 before rallying to 68 cents in the following season.

The main reason is that manufacturers built up stocks between 1984-86, which were years of high production, and demand will be weaker than production until these stocks are reduced to more normal levels in 1992-93, the EIU says.

The report argues that the forecast decline in prices is not inconsistent with a 2.6 per cent annual average increase in raw cotton production in the five years to 1992-93. So much of the world's cotton production takes place at one remove from the influence of international prices that it takes a big price change to have much effect

World production of cotton has grown from some 64m bales in 1980-81 to 80m in 1987-88 and is projected to reach 90m by 1992-93. China is expected to be producing 22.5 m bales by 1992, with the US stable at some 14.5m bales. Soviet production is expected to be 13m bales in 1992.

Output rises of some 20 per cent and 26 per cent are expected in India and Brazil over the next five years, but this will have little impact on the world market as consumption in those countries is also expected to rise, the report says.

Cotton to 1993: Fighting for the Fibre Market. By David Morris. EIU, 40 Duke St., London W1A 1DW. £130

Where cheese is king

Bridget Bloom visits France's Roquefort region

PRETTY STONE houses cling to the hillside, the scrubby trees and man-made terraces burnished by the autumn sunshine. It's a romantic scene - until yon realise that the village is without people and the terraces empty of the vines for which they were built. For Montmejan, on tbe edge of the Causse Noir, is an abandoned village. It is one of many in tbe southern French department of Aveyron which is suffering from a serious exodus from the land.

The Causse – in effect four great limestone plateaux dissected by dramatic gorges – lies to the south west of the Dordogne; the view locally is that the area would be a desert if it were not for cbeese and tourism. That is certainly what Gabriel Gely, who lives with his family a few miles from Montmejan, believes. Mr Gely is one of 3,200 farmers in the area reliant on Roquefort, "the King of French cbeeses" for their livelihood.

The Gely family has farmed in the Causse Noir for 150 years. Over the past 15 years, the farm has grown as neighbours have left: from 450 ha in 1970 Gabriel, now farming with his brother and son, has more than doubled his bolding and nearly trebled his ewe flock to 650. "We can only farm at all profitably if we join together," he says

Producing milk for Roquefort gives the farmers the sort of guaranteed market offered to traditional milk producers by the European Community's common agricultural policy, although in fact the only support from the EC which Roquefort's suppliers get are payments made to compensate them for farming in "least favoured areas."

The principal reason producers and processors have been able to organise the Roquefort market is the *appellation d'origine*, a strict system of controls on qnality analogous to the *appellation contrôllée* which governs higher quality French wine production.

The Societé des Caves et des Producteurs réunis de Roquefort, now owned 53 per cent by Perrier, tbe mineral water group, buys about 75 per cent of sheeps' milk produced, 123m litres last year. It, and the half dozen other registered Roquefort producers, may make their cheese only of raw unpasteurised milk from the Lacaune breed of sheep, which must be reared in a tightly defined geographical area.

It is a system which has succeeded in guaranteeing quality of the prodnct, and thus in maintaining high retail prices. So successful has it been that the farmers have rapidly increased production and – just like producers of cows' milk within the CAP regime – are now subject to quotas.

Milk production has increased 150 per cent since 1970. Quotas were introduced about a year ago, and are backed by a system of price differentials, also introdnced recently. To prevent a glut, only about 65 per cent of total milk production is nsed in making Roquefort cheese, and only this milk gets the premium price of FFr 7 (£6.50).

Milk sold for "diversification" – at the moment mainly to make feta cheese – fetches FFr 4 while the lowest priced milk – FFr 2.5 – is turned into milk powder .

The farmers seem fairly bappy witb tbe system, although Mr Gely, for example, says that his production costs can barely be met if much of his milk sells for under FFr 7.

For its part the Société des Caves believes that the production of Roquefort will continue to increase, albeit closely balanced with demand. Mr Jean Rouquet, director general, says that of the 15 per cent of production curreutly being exported, US sales show most promise of growth.

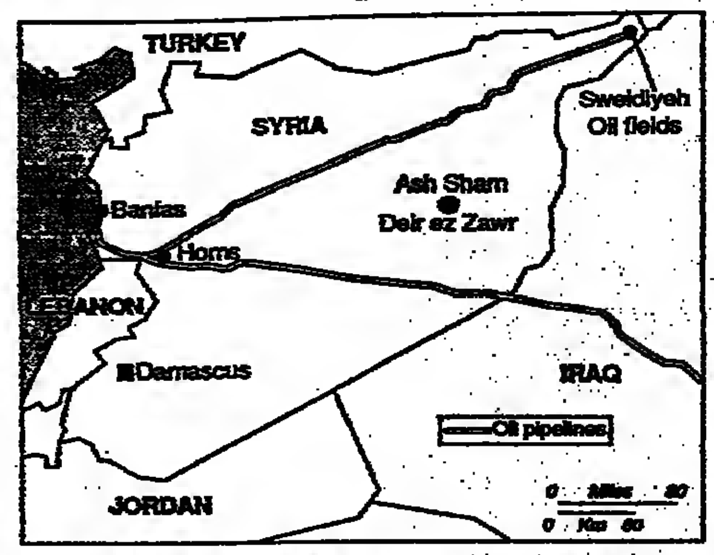
For Mr Gely, as for other farmers, the "less favoured area" payments which they get from Brussels remain vital to their survival: in the *department* of Aveyron, farmers' union officials estimate that net income per farmer averages FFr 60,000 with 30-40 per cent of this coming from Brussels.

For the *department*, as for the French Government, the lesson of Roquefort is important. Over the last 20 years the number of farms in the *department* has fallen from 28,000 to an estimated 15,000. Officials hope that the extension of the *appelation d'origine* system may help arrest this decline, particularly since, with its ability to add value to a farm product like cheese and thus guarantee farmers a basic income, it does not add a single extra Ecu to the budget in Brussels.

Syrian oil industry gets into gear

Tony Walker on the rush to turn promising finds into hard cash

"WHENEVER YOU look closer at the oil industry in Syria, it looks a little better." That view, from a Western official who monitors Syrian economic developments, is echoed by representatives of foreign oil companies who have been heartened by the continuing success of a consortium headed by Royal Dutch Shell and Pecten, its US subsidiary, with Deminex of West Germany, in their Deir ez Zawr and Ash Sham concessions in eastern Syria.



Since the discovery of the Thayyem field, in Shell's Deir ez Zawr concession, was revealed in 1984 interest in Syria among foreign oil companies has gradually quickened to the point where it is today experiencing something of an exploration rush.

This is in marked contrast to the position throughout the 1960s and 1970s when desultory, and largely unsuccessful, efforts were made to find oil with the assistance of Syria's eastern bloc friends. Much of Syria is, as a result, remained unexplored.

While foreign oil company representatives are still cautious – an attitude fostered, no doubt, by the generally furtive atmosphere of the Syrian capital – the Shell consortium, through the al Furat operating company, in which the Syrian Petroleum Company (SPC) has a 50 per cent share, is in the process of establishing a promising network of small to medium-sized fields in its Deir ez Zawr and Ash Sham concessions.

Shell is known to be particularly encouraged by recent finds in the Ash Sham area that are likely to make a significant impact on overall production. Syrian officials themselves are predicting that the Ash Sham discoveries will help to add between 60,000 and 100,000 barrels a day to production by the early 1990s.

The country is desperately short of hard currency and so is pushing its foreign partners hard to bring newly-discovered fields into production. Work is expected to begin by the end of this year in developing the Ash Sham deposits, even though only about 20 per cent of the concession has been explored.

Syria has reached, according to most calculations, self-sufficiency in oil from its own production, and by early next year when a second larger field in its Deir ez Zawr concession comes fully on stream it will have a surplus of about 100,000 b/d for export.

This calculation ignores the 1m tonnes (about 20,000 b/d) of "free oil" that Syria has been receiving annually from Iran in return for its support in the Gulf War. Whether Iran, with the war apparently winding down and with Syria having achieved self sufficiency, will continue the arrangement is uncertain.

Syria's present production is estimated at about 250,000 b/d. That includes 140,000 to 160,000 b/d of heavy, sulphurous Sweidiyeh crude from it old fields in far eastern Syria and 100,000 to 110,000 b/d from Thayyem and four smaller fields in the Deir ez Zawr concession.

The light and heavy crude is mixed on a more or less 50:50 basis at Syria's Homs and Banias refineries to supply the domestic market. Deir ez Zawr production has replaced the light crude previously imported to dilute the Sweidiyeh product.

If the 20,000 b/d Iranian gift is taken into account, Syria is almost certainly running a small surplus on its oil trading account. This picture will brighten considerably when the Omar field in Deir ez Zawr comes fully into production next year, assuming there is some recovery in oil prices.

Even modest additional foreign exchange earnings will make a significant impact in a country with negligible reserves. The International Monetary Fund reported in February that Syria's foreign exchange holdings at the end of 1986 (the latest figures available) stood at between $18m and $63m, barely enough to cover one week's imports.

Syria's need for additional hard currency revenue may become even more critical at the end of this year with the expiry of the 1978 Baghdad Summit agreement, under which the Syrians were promised $1.8bn annually in arab aid. In fact they have been receiving only a fraction of the amount.

It is not surprising therefore that Syria's leaders have been pushing al Furat hard to bring its newly found deposits into production. Damascus will also be hoping that new exploration agreements with Occidental of the US, Total of France, Tricentrol of the UK and Enron (the Houston Oil and Gas Corporation) yield fairly quick results. Among other foreign oil companies known to have responded to Syrian invitations to examine seismic data are British Petroleum, Amoco, Union Oil of California, the Kuwait Petroleum Company and the Turkish State oil company. Syrian officials expect discussions with several of these companies to lead to exploration agreements.

In the meantime, the rush is on to convert the good quality light crude now flowing from the Shell concessions into cash, once Syria's domestic requirements are satisfied. "The idea," said a foreign representative, "is that what has been found has to be developed as quick as possible."

India tries to cut lentil imports

By K.K. Sharma in New Delhi

THE INDIAN Government has raised the import duty on lentils from 10 per cent to 35 per cent in an apparent attempt to reduce imports of the commodity, in view of expectations of a bumper domestic crop this year.

India imported about 800,000 tonnes of lentils last year, when a severe country-wide drought resulted in to a sharp fall in production to 12m tonnes.

Output this year is expected to increase to 14m tonnes following the exceptionally good monsoon rains. In view of the expected increase in home prodnction the Indian Government is now actively discouraging imports of lentils, of which the country India was the largest buyer in international markets last year.

A major source of Indian lentil imports last year was Turkey, which has an annual production roughly equal to India's and is the world's largest exporter of the commodity, writes Jim Bodgener in Ankara.

Last year, Turkey exported 200,000 tonnes to India.

At a recent symposium called Lentils for Everyone, held to promote Turkey's exports, officials of the country's state purchasing agency, the Soil Products Office, claimed some $30m worth of further export business was contracted, mainly with Indian buyers, who were taking about 70,000 tonnes.

Smaller customers were Algeria, Sri Lanka and Bangladesh.

The agency is trying to diversify its clients and has been emphasising the attractions of lentils as a health food line.

Mr Ahmet Ozgunes, its general manager, told the symposium, in the Aegean resort of Marmaris, that the eating of lentils with their high-protein was far more healthy than red-meat consumption.

Such propaganda has already proved successful in Turkey itself - helping to raise total domestic consumption by 30 per cent.

However, exports are still the mainstay of the Turkish lentil industry

If Turkey could sell more overseas, according to a senior Agriculture Ministry official, annual domestic production could be increased to as much as 3m tonnes a year.

Sri Lankan tea record expected

SRI LANKA is heading for a record tea crop this year because of increased production in lowland areas, broker Forbes and Walker said,

"As the position now stands, all indications are that the record crop (228.7m kg) harvested in 1965 will be surpassed this year," it said in a report.

Output in the eight months to August this year totalled 159.1m kg, up from 139m in the corresponding 1987 period, tea industry officials said.

Last January Forbes forecast 1988 output of between 215m and 220m kg.

Production in 1987 totalled 213m kg.

Officials said low-grown output rose to 68.15m kg in January to August from 54m in the same period of 1987. High and medium grown teas also recorded increases.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices retreated from Wednesday's peaks, while cash copper continued to climb yesterday. Traders said the zinc market was reacting to the sharp gains of the past two weeks, but the fundamental factors remained constructive. After a sell-off to around $1,420 to $1,450 a tonne, the market was likely to resume its bull trend. Three-month grade A copper closed unchanged while cash metal added £30.50 to £1,776.50 a tonne, giving it a premium of £144 a tonne. Dealers said that solid demand and the Peruvian mine strike had put the market on course to set new highs soon. Aluminium prices advanced, although faltering near the close on profit-taking. Coffee prices were little changed, although about possible damage to Central American crops from Hurricane Joan.

COCOA £/tonne

	Close	Previous	High/Low
Dec	803	799	824 792
Mar	801	797	817 796
May	802	805	816 800
Jul	813	815	825 810
Sep	830	830	840 826

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 19,700 tonne
Cash	2460-90	2395-405		2420-5		
3 months	2265-70	2245-50	2265/2205	2245-7	2260-5	16,369 lots

US MARKETS

IN THE METALS, the gold, silver and platinum markets were dominated by local traders who were awaiting news of out of the OPEC meeting, reports Drexel Burnham Lambert. Copper prices rose 265 as the metals shortage is still being blamed for the advances. The soft commodities featured trade buying in the sugar as prices rose 23 in the March contract. Cocoa futures fell slightly as speculative selling and commission house profit taking was seen. Producer selling in coffee kept prices from making any significant gains. In the grain markets, trading was quiet for most of the day until commercial selling near the close weakened prices. Soybeans posted the largest loss as prices sank 22 in November. Rain in drought stricken areas of Brazil also put pressure on the grains. The meat markets were mixed as pork bellies gained while cattle and hogs fell. An increase in feed costs and high beef demand were noted. In cotton trading, locals dominated action in light volume. Orange juice futures were down 140 as the trade were again featured sellers.

New York

Chicago

WORLD STOCK MARKETS

CANADA

TORONTO

4pm prices October 20

MONTREAL

4pm prices October 20

Total Sales 5,728,442 shares.

INDICES

NEW YORK DOW JONES

	Oct 20	Oct 19	Oct 18	Oct 17	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2181.19	2137.27	2159.7	2140.47	2159.7 (18/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.93	89.96	90.0	89.91	91.25 (3/3)	86.12 (4/1)	—	—
Transport	935.01	918.91	929.0	916.42	929.06 (7/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.34	183.74	185.0	183.97	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2183.68 (2173.01) Low 2129.80 (2110.95)

STANDARD AND POOR'S	Oct 20	Oct 19	Oct 18	Oct 17	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	282.88	276.97	277.66	276.41	278.24 (10/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (Latest)	326.10	318.81	321.44	317.78	319.72 (10/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	26.42	25.96	26.03	26.01	26.37 (10/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	159.01	156.18	156.48	155.87	156.96 (10/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	306.37	304.48	303.54	303.27	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	388.62	385.74	385.75	385.01	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 14	Oct 7	Sep 30	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.60	3.66	3.07
	Oct 19	Oct 12	Oct 5	year ago (approx.)
S & P Industrial div. yield	3.12	3.15	3.18	2.97
S & P P/E ratio	13.42	13.15	13.13	18.25

TRADING ACTIVITY † Volume Millions	Oct 20	Oct 19	Oct 18
New York	187.562	186.350	163.095
Amex	8.961	9.432	8.220
OTC	(u)	142.559	132.327

NEW YORK	Oct 20	Oct 19	Oct 18
Issues Traded	1,965	1,955	1,940
Rises	1,051	549	889
Falls	418	914	530
Unchanged	496	492	521
New Highs	65	58	48
New Lows	13	12	9

CANADA

TORONTO	Oct 20	Oct 19	Oct 18	Oct 17	1988 High	1988 Low
Metals & Minerals	2935.3	2917.7	2907.2	2867.3	3226.5 (5/7)	2238.7 (8/2)
Composite	3405.1	3380.0	3385.2	3376.8	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1696.42	1681.54	1685.26	1678.13	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Nabisco	1,488,600	77¼	+21⅛	Columb Gas	3,044,400	34¾	+ ⅞
Chase Man	4,675,700	29⅝	+ ¼	Philip Morris	2,740,400	99	+ 5
Kraft Inc	3,873,400	90¼	− ⅛	Baxter Int	2,531,900	18	+ ⅛
Gillette	3,340,300	38½	+ 1⅛	AT&T	2,468,400	27½	+ ⅝
NY E&G (old)	3,069,200	23⅞	− ½	Union Carb	2,070,400	27¼	+ 1⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Oct. 20	Oct. 19	Oct. 18	Oct. 17	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1591.1	1579.4	1571.7	1566.9	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	753.2	748.9	749.5	741.8	847.8 (9/8)	532.4 (10/2)
AUSTRIA Credit Aktien (30/12/84)	219.4	219.3	218.5	216.3	219.30 (19/10)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	5327.10	5328.00	5328.60	5333.40	5340.00(11/10)	3608.35(4/1)
DENMARK Copenhagen SE (3/1/83)	238.43	238.15	237.36	237.40	238.43 (20/10)	180.68 (4/1)
FINLAND Unitas General (1975)	701.6	699.7	698.7	697.8	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	382.6	380.8	378.3	380.6	384.9(10/10)	251.3 (29/1)
Ind. Tendance (31/12/87)	148.1	148.1	146.2	145.3	148.4 (5/10)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	530.59	538.27	534.69	528.03	538.27 (19/10)	396.40 (29/1)
Commerzbank (1/12/53)	1606.50	1631.00	1619.80	1600.30	1631.00(19/10)	1207.9 (29/1)
DAX (30/12/87)	1295.21	1304.37	1295.79	1282.99	1304.37 (19/10)	931.18 (28/1)
HONG KONG Hang Seng Bank (31/7/64)	2584.04	(c)	2590.41	2593.56	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	592.69	592.65	590.35	577.08	592.69 (20/10)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	27390.55	27293.67	27141.98	27268.74	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix)(4/1/68)	2123.90	2118.17	2108.66	2128.05	2263.10 (2/8)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	280.1	282.0	279.7	280.0	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	247.9	248.4	247.8	248.1	248.4 (19/10)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	398.53	397.58	389.17	395.08	423.64 (21/7)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1022.33	1019.16	1016.09	1003.07	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1352.0	1356.8	1377.0	1372.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1808.0	1814.0	1819.0	1811.0	1821.0 (18/10)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	284.20	283.66	285.63	284.70	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	3169.43	3153.60	3160.10	3176.60	3200.30 (10/10)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	577.4	577.7	575.9	575.0	577.7 (19/10)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	464.2	463.9	463.3	465.2 (15/6)	401.0 (21/1)

**Saturday Oct. 8: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 20 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	97.4m	332	+7	Sumitomo Metal	51.1m	730	+4
Nippon Steel	72.7m	700	+2	NKK	32.8m	984	+16
Kobe Steel	65.2m	648	+12	Nippon Yakin Kogyo	28.8m	1,140	+40
Kawasaki Heavy	59.3m	750	+15	Isuzu	21.4	762	+19
Osaka Gas	56.2m	980	+1	Taisho Marine & Fire	18.9m	1,280	+80

4pm prices October 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	1.7	16	253	25¾	25½	25⅝	+⅛
10⅛	9⅛	ACM n				33	9⅝	9⅝	9⅝	–
12¼	8⅝	ACMIn 1.26a		11.		490	11⅛	11	11⅛	+
12½	10⅝	ACMSc n1.26		12.		1448	11	10⅞	10⅞	
10½	8⅞	ACMSp n1.01		11.		424	9⅛	9⅛	9⅛	
8⅛	2⅞	AM Intl				813	5⅜	5⅛	5⅜	
20¾	17	AM Intl pf	2	8.9		193	22⅜	22⅛	22⅛	–⅛
51¼	28⅞	AMR			10	5250	50	49	50	+1⅛
27	23	ANR pf 2.67		10.		105	25⅞	25	25¾	
9⅞	5⅛	ARX			11	110	7⅞	7¾	7⅞	
73⅞	45¼	ASA	5	7.7		152	[illegible]	38⅛	[illegible]	+
20¾	6⅞	AVX	.12e	.6	12	249	19⅛	18⅝	19	+
52¼	40	AbtLab	1.20	2.5	12	[illegible]	[illegible]	48⅛	[illegible]	+
25	15⅛	Abitibi g	1			60	16¾	16⅝	16¾	+
13⅞	8⅛	AcmeC	.40	4.5		259	9⅛	[illegible]	[illegible]	–
29½	10⅛	Acuson			26	576	[illegible]	[illegible]	[illegible]	
17⅞	14⅛	AdaEx 3.05e		17		81	16⅝	16	[illegible]	–
19¼	8⅞	AdamMl .24		1.4	16	75	17	16⅞	17	+
16⅞	7½	AMD			17	4246	9⅝	9⅛	[illegible]	–
43½	29⅛	AMD pf	3	[illegible]		4	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 49

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X–Y–Z –								
67½	56	Xerox	3	6.1	10	4044	58½	57⅝	58½	+ ⅜
50	19⅛	XTRA	.72	2.2	14	168	33¼	28	33	– ⅛
58¼	17½	Yorkin			10	528	52¼	52	52⅝	
4⅝	2⅛	Zapata				371	2⅝	2½	2½	– ⅛
27⅝	13½	Zayre	.40	1.5	17	7 3089	26½	26¼	26½	+ ½
18⅛	5⅛	Zemex	.40	2.7	19	34	16	16⅞	16⅞	– ⅛
30	12	ZenithE				1943	20¼	20⅝	20⅞	+ ½
15⅝	9½	Zenia s	.30a	3.8		340	10⅛	10⅛	10⅛	– ⅛
9	1	viZenLb				664	2⅛	2	2⅛	+ ⅛
22⅝	12⅛	ZenNt	.80b	4.6	6	45	17⅝	17½	17½	
17⅛	11⅞	Zero	.40	2.6	12	689	15⅝	15½	15⅝	
29	10	Zurnle	.60	2.4	13	286	28½	27⅞	28½	+ ⅛
11⅛	7⅝	Zweig	1.04	9.9		260	10½	10⅛	10½	
10⅛	10	ZweigT u				2062	12⅛	10	10⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 20 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProcCm		1	34	8⅞	9¾	8⅞	+ ⅛
Prism			19	8⅝	8¼	8⅛	+ ⅛
ProMed	.42		30	4⅝	4	4	
ProfCre			24	1⅝	1½	1⅝	
			– R–R –				
RBW			9	8¼	8⅛	8⅛	– ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 20

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilmTr	1	11	35	30⅛	29⅞	29⅞	– ⅛
WilsnF		21	18	13⅞	13⅞	13⅞	– ⅛
Windm s		12	579	16¼	16½	16¼	
Wolohn	.24	9	182	16⅛	16	16⅛	+ ⅛
WolvEx			667	8⅛	8	8	
Worthg	.44	15	940	20¼	21⅛	06	– ⅛
Wyman	.80	16	29	15⅛	15½	15⅛	– ⅛
		– X–Y–Z –					
XL Dat		15	789	26	24	24⅛	+ ⅛
XOMA			10	13⅛	13⅛	13⅛	– ⅛
X-Rite s		13	21	10	10	10	
Xicor		14	689	8⅛	8⅛	8⅛	+ ⅛
Xyvsn		9	65	5⅛	8	5⅛	+ ⅛
YelowF	.70	34	1670	33	32⅛	32⅞	+ ⅛
ZionUt	1.44		10	26⅛	24⅛	25	+ ⅛

WORLD STOCK MARKETS

AMERICA

Dow rebounds to highest point since '87 crash

Wall Street

Wall Street

WALL STREET quickly rebounded from the dive it had taken in late trading on Wednesday by staging a sharp rally in the last hour of business yesterday which took the Dow Jones Industrial Average to its highest level since last October's crash, *writes Robert Vincent in New York.*

After a lacklustre start the market more than wiped out the fall of the previous day with the Dow Average chalking up a gain of 43.92 to finish at 2,151.19.

The previous day the market had performed in exactly the opposite manner and finished with a decline of 22.58 to 2,137.27.

Takeover activity boosted shares, as did the improvement in the bond market and the decline in the oil price.

Some spice was added to early lacklustre trading with the early news that a management group may buy out R.J.R. Nabisco.

If an offer for Nabisco comes to fruition it will be the biggest ever buy-out at a price which could escalate to around $20bn. The news sent shock waves through the tobacco sector.

The announcement boosted Nabisco's price by $21¼ to $77¼ in heavy trading.

The stocks to feel the shock waves from the Nabisco announcement included Philip Morris which has been in the doldrums since it launched its $11bn takeover bid for Kraft. The stocks jumped $5 to $99.

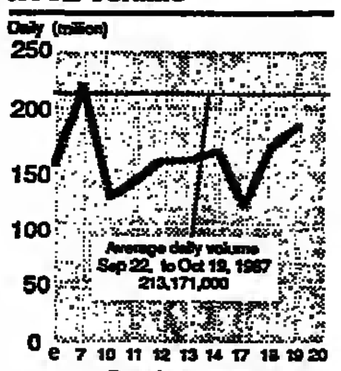
American Brands, the US tobacco and beverages group, also benefited as its shares were hoisted $4⅞ to $58⅞ and Loews, which also has big tobacco interests, saw its price driven up $3⅝ to $82¼.

Nevertheless, the takeover activity was one of the key elements which helped to push up the market. The other main element was the fall in oil prices which on Wednesday advanced sharply, ruffling both the bond and stock markets.

In New York yesterday, however, the November crude oil futures price came off the top, to decline by 30 cents to $15.10 as the markets wait for news from the Opec meeting to discuss production restraints.

Wall Street traders also received some soothing words from President Ronald Reagan who "is pleased that a year later, the stock market drop doesn't seem to have left any lasting scars."

A string of major companies reported during the day. Colgate-Palmolive, the household and health care group, lifted net earnings per share in the third quarter to 69 cents from 56 cents last time which took shares $2 higher to $48⅞.



NYSE Volume

Daily (million)

Average daily volume Sep 22, to Oct 19, 1987 213,171,000

October 1988

Gillette also went ahead in the third quarter from 51 cents a share to 57 cents. Its shares reacted by rising $1⅜ to $38⅛.

One of the principal companies to report was AT&T, the international telecommunications group. It unveiled improved third quarter earnings which took the shares to $27⅝, an increase of $⅜.

The group lifted earnings per share to 55 cents from 47 cents last time.

ITT's share were also lifted following results. The diversified company recorded a rise of $1⅛ to $53⅝ following the announcement of a 26 per cent rise in third-quarter earnings per share to $1.6.

American Express, the financial services group, rose $1⅛ to $29⅝, following an initial decline, after a fall in third-quarter earnings from 74 cents to 66 cents.

Canada

TAKEOVERS and higher base metal prices pushed the market sharply higher in Toronto after dull early trading.

The possibility of a management buy-out of Nabisco in the US sparked interest in stocks. The composite index climbed 25.10 to 3,405.10.

Inflation baffles Brazil's investors

John Barham reflects on the price to be paid for economic disorder

Many Brazilians feel they are being engulfed by economic conflagration, with prices this year likely to increase by over 800 per cent.

Everyone agrees that hyperinflation is bad for Brazil. But opinion is divided over what it means for the stock market.

Inflation has climbed by a record 400 per cent since January. But share prices have risen even faster, with the Sao Paulo Exchange's composite Bovespa index rising by 130 per cent in dollar – and therefore inflation-adjusted – terms since the beginning of the year.

Some feel there is room for optimism because Brazil's large corporations are cash-rich and prospering on export markets. "Businesses and the market are very creative, very adaptable. We have learnt to live with crises," says Mr Henrique Molinari, a director of Sao Paulo's Crefisul investment bank.

But Mr Toshiro Kobayashi, president of the Bank of Tokyo, is less sanguine. "There is already a perception that the established financial system cannot bear hyperinflation," he says. Companies could go bankrupt; and for all its intricacy, Brazil's indexation system might not be able to keep pace with hyperinflation.

Last week the capital markets had a dress rehearsal for hyperinflation. Eight days ago, the central bank panicked markets by raising interest rates by 10 points to a nominal 50 per cent a month, signalling inflation of 30 per cent for October.

Immediately, the Bovespa index slumped 7.3 per cent. Mr Mailson da Nobrega, the finance minister, soothed the markets by cutting rates down to 42 per cent and firing the official who raised them in the first place.

The index recovered in nervous trading over the next three days, but yesterday profit-taking sent it down 4 per cent to close at 18,143 in local currency terms. One broker said it was still difficult to find stock despite the fall.

Investors are growing uneasy about the Government's ability to sustain its short-term domestic debt – it has already been reduced to financing about $60bn of debt on the overnight money market.

The market is also concerned about the 12 per cent limit on real interest rates contained in the new constitution.

Many small investors are already heading for the exits, pulling out of the money markets, cashing in some of their shares and going instead for the traditional bolt holes: gold, black market dollars and land.

Demand for shares has, however, faltered only slightly and the Bovespa index is only marginally off its highest level in 18 months.

Mr Molinari says most investors buying stocks now are prepared to stay put for the long-term, and that they have some convincing reasons to do so. Share prices are low in comparison with companies' assets and forecast earnings. Demand is likely to remain strong, buoyed by an infusion of foreign investors. Furthermore, there is a shortage of paper, because low prices have discouraged new issues.

Analysts warn, however, that companies are failing to invest enough now and that this will slow their future growth. And they hesitate to predict what will happen if the Government loses all control over inflation.

Mr Nicholas Bratt, who runs the $150m New York-based Brazil Fund, said: "The reason you can buy shares so cheaply is because there is so much bad news. But when the news is good, you won't be able to buy anything cheap."

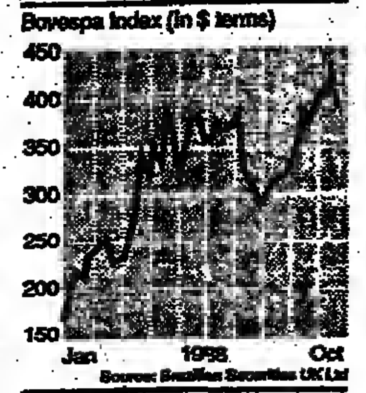
MEXICAN investors have welcomed this week's agreement on the extension of the Economic Solidarity Pact and news of the availability of a $3.5bn US loan facility to support the balance of payments, *writes Richard Johns in Mexico City.*

The Bolsa Mexicana de Valores index rose by 2.59 per cent on Monday and a further 1.55 per cent on Tuesday to reach 191,711, then eased to 190,256 at Wednesday's close.

This leaves the Bolsa index – which is based on 42 commercial services and industrial stocks – some 80 per cent higher than its 105,679 level at the start of the year.

In the first nine months, Mexico has been one of the world's strongest performers, with rises of 47 per cent in dollar terms, 64 per cent in sterling terms and 50 per cent in local currency terms, according to the FT-Actuaries World Indices. This follows its catastrophic fall last autumn, when the index plummeted in a six-week period from 373,999 on October 6 to a low of 95,000 on November 17.

The index peaked this year at 203,192 on June 20, a fortnight before the general election. Market confidence then declined because of the protracted dispute over the legitimacy of the election results and uncertainty over the future of the Pact.



Brazil

Bovespa index (in $ terms)

Source: Brazilian Securities UK Ltd

EUROPE

Consolidation leaves bourses little changed

CONSOLIDATION set in after the strong rises seen around Europe on Wednesday, and most bourses eased a little, although corporate news and takeover speculation provided support, *writes Our Markets Staff.*

PARIS put in a resilient performance on the final day of the account, easing just 0.3 per cent as worries about the franc resurfaced.

Bid speculation continued to boost selected stocks, and while volumes were strong for such issues, the day's total was estimated to be below the FFr3.3bn worth of shares traded on Wednesday.

BSN jumped FFr80 to FFr5,770 as rumours strengthened about the possibility of a bid for Britain's United Biscuits. There was talk of a BSN fund raising issue worth about FFr1.3bn, with details apparently made available in the UK and not France. Analysts differed widely on whether there would be a bid; one called the speculation "an old chestnut," another thought the fund raising confirmed that a bid was on the cards.

Schneider saw about 100,000 shares change hands, climbing FFr27 to FFr515. Car components maker Valeo, which has joined forces with Chargeurs to bid for all of Epeda, put on FFr9 to FFr603, with a strong 94,000 shares dealt. The link with Chargeurs, up FFr13 at FFr1,233, ended the possibility that Valeo, which had initially launched a hostile bid on its own, would face a costly protracted battle, said one analyst.

FRANKFURT saw some profit-taking after rising to a 1988 high on Wednesday and closed marginally lower, with the DAX index off 9.16 at 1,295.21. It had fallen to 1,287.42.

The midday FAZ index was off 7.68 at 530.59 and turnover in German shares reached DM3.2bn.

Banks were weakened by rumours of a tightening of their tax provisions, which could mean retroactive tax payments going back to 1985. West German bankers are to meet the Finance Ministry on Monday to discuss the issue. Deutsche Bank lost DM8.50 to DM536.50 and BHF fell DM14 to DM414.

Asko dropped by 10 per cent in active trading on Wednesday's news that 300,000 ordinary shares are to be offered to the public at DM850 – this is stock which was not being taken up by leading Asko shareholders in the current rights issue. Asko closed down DM88.50 at DM800, having been at DM875, amid suggestions that existing shareholders were selling stock to buy the cheaper new shares.

VW was unchanged at DM306 after news that it is merging its car hire subsidiaries with those of Wagons-Lits of Belgium from next year. Other car stocks fell back after recent strong gains.

MILAN moved ahead strongly in the early part of the session before running into profit-taking as investors paused for a breather after the market's 12.5 per cent climb in the past month.

Prices finished mixed, with the Comit index just 0.9 better at 592.69, another new high for the year, and volume remained heavy after Wednesday's L314bn worth of shares.

Among those to suffer were Generali, down L300 at 43,700, and Sirti, off L420 at 18,780.

But other stocks were up strongly, with Montedison adding L20 to L2,600, and Eridania, Ferruzzi's agribusiness, rising L110 to L5,719 following a broker's recommendation. De Benedetti stocks were strong, with Cir up L190 at L6,550. Buitoni rose L250 to L11,000 amid enthusiasm over its forthcoming incorporation with Perugina.

Out of a selection of 80 stocks chosen by Kleinwort Grieveson Securities, the top performer in the past month has been steel mill manufacturer Danieli, up 34 per cent. Danieli, which eased L26 to L7,780 yesterday, has been seen as cheap and has recently had a presentation in London.

ZURICH was virtually unchanged in moderate trading as the weaker dollar and Wednesday's losses on Wall Street dampened sentiment.

Leading banks, however, were a fairly active sector. Union Bank of Switzerland bearers rose SFr25 to SFr3,670, with the company predicting that 1988 results would be in line with 1987. Crédit Suisse edged up SFr10 to SFr2,760 while Swiss Bank gained SFr1 to SFr388.

STOCKHOLM finished in a buoyant mood after a mixed morning with turnover at SKr277m. The Affärsvärlden index was 4.7 higher at 930.5.

BRUSSELS lost ground, with the forward index easing 14.67 to 5,517.73, as some of the market's speculative froth fizzled out.

Wagons-Lits, the tourism group surrounded in recent sessions by rumours of a possible takeover, dropped BFr230 to BFr6,570. It announced it and VW of Germany were merging their car hire offshoots. Utility Electrafina put on BFr80 to BFr8,700 after reporting a doubling of interim profits on Wednesday.

AMSTERDAM closed lower following a dull session dampened by the weaker dollar and lack of market incentives.

ASIA PACIFIC

Turnover and prices climb as NTT sale progresses

Tokyo

THE successful ongoing sale of the massive privatisation tranche of Nippon Telegraph and Telephone helped spur demand for shares in Tokyo yesterday and the market closed higher on improved volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average posted a gain of 96.88 to close at 27,350.55. The high of the day was 27,426.56 with a low of 27,366.18. Issues that advanced outnumbered those that declined by 437 to 402 while 179 issues remained unchanged.

The TOPIX index of all listed stocks rose 5.73 to 2,123.90. In London, Japanese shares edged up further with the ISE/Nikkei index adding 1.90 to 1,755.51.

In Tokyo, turnover at 981m shares showed a marked increase over Wednesday's volume of 603m. The sale of the third tranche of 1.5m NTT shares, which had dampened market sentiment for the past few weeks, will be completed today and this has brought some relief to market participants. NTT fell Y20,000 to Y1.95m, compared with the Y1.9m offer price for the new tranche.

Concern about the outcome of a proposed capital gains tax continues to cast a cloud over the market. The Recruit Cosmos scandal has also made investors uncomfortable because it has had a strong impact on discussions concerning the tax.

Yesterday, two developments in the investigation into the sale to politicians of unlisted shares of Recruit Cosmos by its parent company, Recruit, led to a rush of over-the-counter selling after hours that pushed the share price of Recruit Cosmos to a maximum allowed low of Y2,270 – it closed the official session down Y170 at Y2,500.

First, the president of the Japan Securities Dealers Association said that Mr Hiromasa Ezoe, the former president of Recruit Co., the parent company of Recruit Cosmos, may have violated stock exchange rules and that Recruit Cosmos may be stripped of its over-the-counter status.

Second, prosecutors arrested a former Recruit executive for attempting to bribe an opposition Dietman who had been probing the sale of Recruit Cosmos shares to politicians.

Among financial companies, Nomura Securities added Y80 to Y3,600 and Nikko Securities increased Y50 to Y1,740.

Oil refiner Mitsubishi Oil advanced Y90 to Y1,340, Showa Shell Sekiyu rose Y60 to Y1,460 and Nippon Oil gained Y50 to Y1,200. Cosmo Oil firmed Y37 to Y917.

Oriental Leasing rose on news that it will buy a baseball team from Hankyu Corp. Oriental added Y110 to Y3,250 while Hankyu increased Y15 to Y836.

Volume was heavily concentrated in the top 30 issues, particularly the steels. Kawasaki Steel, the volume leader at 97.4m shares, rose Y7 to Y532. Nippon Steel followed at 72.7m shares, adding Y2 to Y789. Kobe Steel was third in volume at 65.2m shares and increased Y12 to Y648.

The market in Osaka also firmed with individual incentive-backed issues leading in gains. The OSE average rose 84.74 to 25,321.16 and volume was higher at 97.6m compared with 68.1m on Wednesday.

Roundup

LOSSES on Wall Street failed to depress sentiment in Australia yesterday as higher commodity and oil prices stimulated demand, but other Asia Pacific markets were mixed or weaker despite Tokyo's gains.

AUSTRALIA defied Wall Street's overnight weakness to maintain its recent rally as firmer commodity and oil prices and continued overseas demand sent shares higher. By the close the All Ordinaries index was up 11.7 at 1,591.1 on turnover of 121m shares worth A$242m.

Among firmer energy stocks, Peko Oil rose 6 cents to A$1.80 after formally rejecting the A$1.80-a-share bid launched by oil group Santos in September.

There is a "reasonable chance" that Santos will make a higher offer for Peko.

HONG KONG suffered a delayed reaction to last week's 114-point gain, closing weaker in thin trading as dealers returned from Wednesday's holiday. The Hang Seng index ended 6.37 lower at 2,584.04 on turnover worth HK$620m.

SINGAPORE saw shares fall in early trading after Wall Street closed weaker, but selected bargain buying in the afternoon helped prices higher despite sporadic profit-taking. The Straits Times industrial index closed 3.17 higher at 1,022.33 on turnover of 14.7m shares, sharply down

SOUTH AFRICA

GOLD shares closed mixed as bullion held above $410 an ounce.

Western Deep rose 50 cents to R109.50 while South Vaal lost 25 cents at R107.75. Buffels improved by 50 cents to R50.50 but Harmony was 25 cents lower at R25.50. De Beers gained R1.90 to R48.40.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 20 1988					WEDNESDAY OCTOBER 19 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	149.70	+1.5	125.89	121.07	4.10	147.54	124.92	119.97	152.31	91.16	123.86
Austria (17)	94.35	+0.5	79.34	88.18	2.44	93.86	79.47	88.23	98.18	83.72	96.11
Belgium (63)	127.23	+0.3	106.99	119.70	4.23	126.85	107.40	119.81	139.89	99.14	113.52
Canada (125)	125.42	+0.8	105.47	108.85	3.11	124.39	105.32	108.00	128.91	107.06	106.77
Denmark (39)	141.37	+0.7	118.88	133.58	2.26	140.36	118.84	133.25	141.37	111.42	110.59
Finland (26)	121.63	+2.5	102.28	108.74	1.53	118.63	100.45	106.43	139.53	106.78	–
France (130)	103.89	+0.5	87.37	100.31	3.24	103.42	87.56	100.29	103.89	72.77	91.41
West Germany (102)	84.40	−1.0	70.98	79.09	2.35	85.23	72.16	80.24	85.23	67.78	87.29
Hong Kong (46)	105.76	−0.5	88.94	106.08	4.75	106.28	89.99	106.60	111.86	84.90	133.25
Ireland (18)	141.65	+0.3	119.12	134.67	3.74	141.28	119.62	134.91	144.25	104.60	120.46
Italy (100)	83.82	+0.5	70.48	84.00	2.39	83.38	70.60	83.94	83.82	62.99	86.52
Japan (456)	168.45	+0.4	141.66	135.44	0.54	167.73	142.02	134.97	177.27	133.61	136.85
Malaysia (36)	136.93	+0.2	115.15	140.91	3.02	136.63	115.68	140.97	154.17	107.83	138.08
Mexico (13)	156.45	−1.0	131.57	391.20	1.39	158.09	133.85	394.86	180.07	90.07	293.28
Netherland (38)	108.31	−0.1	91.08	100.47	4.90	108.37	91.76	100.95	110.66	95.23	99.79
New Zealand (26)	72.24	+0.0	60.75	62.11	6.33	72.22	61.15	62.14	84.05	64.42	108.40
Norway (25)	118.21	+0.1	99.41	106.89	2.71	118.05	99.95	107.19	132.23	98.55	139.97
Singapore (26)	120.20	+0.5	101.08	111.28	2.45	119.55	101.22	111.15	135.89	97.99	124.98
South Africa (60)	110.71	+0.0	93.10	98.77	4.35	110.76	93.78	98.82	139.07	98.26	162.61
Spain (42)	147.53	+0.4	124.07	132.56	3.02	146.97	124.44	132.72	164.47	130.73	148.69
Sweden (35)	128.16	+0.7	107.78	117.92	2.42	127.29	107.78	117.40	128.20	96.92	115.36
Switzerland (56)	82.45	+0.6	69.34	77.83	2.17	81.93	69.37	77.72	86.75	74.13	88.70
United Kingdom (321)	137.45	+0.8	115.59	115.59	4.55	136.41	115.50	115.50	141.18	120.66	125.41
USA (581)	115.30	+2.0	96.96	115.30	3.47	113.03	95.70	113.03	115.30	99.19	101.57
Europe (1012)	112.69	+0.4	94.77	101.03	3.67	112.28	95.07	101.22	112.69	97.01	106.62
Pacific Basin (681)	165.13	+0.4	138.87	133.55	0.77	164.40	139.20	133.08	172.26	130.81	135.97
Euro-Pacific (1693)	144.19	+0.4	121.25	120.46	1.68	143.58	121.57	120.24	147.53	120.36	124.28
North America (706)	115.83	+1.9	97.41	114.92	3.44	113.63	96.21	112.74	115.83	99.78	101.85
Europe Ex. UK (691)	97.21	+0.0	81.75	92.12	2.95	97.17	82.28	92.50	97.21	80.27	94.96
Pacific Ex. Japan (225)	125.15	+0.7	105.25	109.87	4.30	124.24	105.20	109.44	128.27	87.51	125.55
World Ex. US (1891)	143.22	+0.4	120.44	119.98	1.75	142.60	120.74	119.74	146.49	120.26	124.17
World Ex. UK (2151)	131.89	+1.0	110.91	118.60	2.08	130.64	110.61	117.60	131.89	111.77	114.44
World Ex. So. Af. (2412)	132.50	+0.9	111.43	118.44	2.30	131.26	111.14	117.51	132.50	113.26	115.10
World Ex. Japan (2016)	115.10	+1.3	96.80	109.87	3.57	113.62	96.20	108.68	115.10	100.00	105.14
The World Index (2472)	132.37	+0.9	111.32	118.31	2.31	131.13	111.03	117.39	132.38	113.37	115.40

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).